

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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In the Matter of the ) Docket No. 05-057-T01

Joint Application of )

Questar Gas Company, ) TRANSCRIPT OF

the Division of Public ) PROCEEDINGS

Utilities and Utah )

Clean Energy for the )

Approval of the )

Conservation Enabling )

Tariff Adjustment )

Option and Accounting )

Orders )

)

September 25, 2006 -

10:00 a.m. and 4:30 p.m.

Location: Public Service Commission

160 East 300 South, Hearing Room

Salt Lake City, Utah

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EXHIBIT NO.	OFFERED	ADMITTED
QGC Ex 1, and 1.3 through 1.10	8/9	9
QGC SR1, and SR1.1 through SR1.15	8/9	9
QGC Stipulation Exhibit 1	8/9	9
QGC R Exhibit 2	10	11
SWEEP Ex 1, and 1.1 through 1.3	11	12
SWEEP Ex SR1	11	12
DPU Exhibit 1.0SR	13	14
DPU Exhibit 1.0ST	13	14
DPU Exhibit 2.0SR	19	20
DPU Exhibit 2.1SR	19	20
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DPU Exhibit 4.0A	19	20
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CCS-2D	23	23
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CCS-1ST	28	28
URA-1	26	26
UAE Exhibit 1	31	31

1 P R O C E E D I N G S

2 COMMISSIONER CAMPBELL: All right. Let's  
3 go on the record in Docket 05-057-T01 In The Matter  
4 of the Joint Application of Questar Gas Company, the  
5 Division of Public Utilities, and Utah Clean Energy,  
6 for the Approval of the Conservation Enabling Tariff  
7 Adjustment Option and Accounting Orders.

8 Let's take appearances for the record,  
9 please.

10 MS. BELL: Colleen Larkin Bell and Gregory  
11 B. Monson for Questar.

12 MS. SCHMID: Patricia E. Schmid for the  
13 Division of Public Utilities.

14 MR. WARNICK: Reed Warnick for the  
15 Committee of Consumer Services. I will also briefly  
16 represent Ms. Betsy Wolf for purposes of introducing  
17 the testimony of her client.

18 MS. WOLF: Betsy Wolf on behalf of Salt  
19 Lake Community Action Program and Crossroads Urban  
20 Center.

21 MS. WRIGHT: Sarah Wright, Utah Clean  
22 Energy. And Colleen Larkin Bell will be introducing  
23 my witness.

24 MR. DODGE: Gary Dodge for the UAE.

25 MR. EVANS: William Evans of Parsons,  
26

1 Behle & Latimer for the Investor Gas Users.

2 MR. BALL: Roger Ball on my own behalf.

3 COMMISSIONER CAMPBELL: All right. Thank  
4 you.

5 Ms. Bell, let me start with you first.

6 MS. BELL: First we would like to begin by  
7 asking that we offer all of the evidence that has  
8 been admitted or filed in this docket before you. I  
9 would like to offer all of Barrie L. McKay's Direct  
10 Testimony, Surrebuttal Testimony, and his testimony  
11 in support of the stipulation. And I would also like  
12 to offer the attached exhibits to that testimony.

13 In addition, we will be asking that we  
14 offer the Rebuttal Testimony filed by Ralph Cavanagh  
15 of the Natural Resources Defense Council filed on  
16 behalf of Questar Gas Company. Part of Mr. McKay's  
17 Direct Testimony and attached exhibits were already  
18 admitted in this docket in the Rate Reduction  
19 Stipulation Hearing held on May 17, 2006. So I have  
20 handed out to all the parties, and I believe you have  
21 copies as well, Commissioners, a sheet that shows all  
22 of the exhibits that were already admitted. Only  
23 portions of Barrie L. McKay's Direct Testimony and  
24 certain exhibits were admitted in that hearing  
25 because only portions were relevant at that time to

26

1 the Rate Reduction Stipulation.

2 I am now asking that all of his Direct  
3 Testimony be admitted as QGC Exhibit 1 with the  
4 attached exhibits QGC Exhibits 1.3 through 1.10  
5 because 1.1 and 1.2 were already admitted and 1.11  
6 and 1.12 which were already admitted.

7 COMMISSIONER CAMPBELL: All right.

8 MS. BELL: The other two exhibits that  
9 were already admitted in the Rate Reduction  
10 Stipulation Hearing are QGC Exhibit 2, which was the  
11 Section 2.0 of the tariff and QGC Exhibit 3 which was  
12 the 2006 Results of Operations Report which should  
13 also be identified on that exhibit list showing which  
14 exhibits were already admitted. So I hope that --

15 COMMISSIONER CAMPBELL: You've lost me.

16 MS. BELL: Okay. If you look at the  
17 exhibit list that shows which exhibits were already  
18 admitted, QGC 1 is certain portions and line numbers  
19 of Mr. McKay's testimony and then QGC 2 is identified  
20 as the tariff, and QGC 3 is identified as the 2006  
21 Results of Operations Report.

22 COMMISSIONER CAMPBELL: Okay.

23 MS. BELL: So now I'm asking that all of  
24 Mr. McKay's Direct Testimony be admitted as QGC  
25 Exhibit 1.

26



1                   COMMISSIONER CAMPBELL: All right. Do you  
2 want to continue?

3                   MS. BELL: All right. In addition, we  
4 would ask that the testimony Exhibits 1.3 through  
5 1.10 be admitted because 1.1 and 1.2 and 1.11 and  
6 1.12 were already admitted.

7                   COMMISSIONER CAMPBELL: Do you want to  
8 offer Surrebuttal at the same time?

9                   MS. BELL: Yes, I would. And that would  
10 be designated as QGC Exhibit SR1 along with its  
11 testimony exhibits which are QGC Exhibits SR1.1  
12 through 1.15.

13                  COMMISSIONER CAMPBELL: Okay.

14                  MS. BELL: I would also offer that Mr.  
15 McKay's testimony as part of the Settlement  
16 Stipulation filed on September 21st be admitted as  
17 QGC Stipulation Exhibit 1. And that would take care  
18 of Mr. McKay's testimony.

19                  COMMISSIONER CAMPBELL: Let's go ahead and  
20 see, is there's any objection to the admission of Mr.  
21 McKay's testimony?

22                  MS. SCHMID: No objection.

23                  MR. WARNICK: No objections.

24                  MR. DODGE: No objections.

25                  MR. EVANS: None here.

26

1                   COMMISSIONER CAMPBELL: All right. Then  
2 it's admitted.

3                   MS. BELL: Additionally, I would ask that  
4 the Rebuttal Testimony filed by Ralph Cavanagh which  
5 was filed on August 14, 2006 be admitted as QGC  
6 Exhibit R2.

7                   COMMISSIONER CAMPBELL: All right. I  
8 have it on my sheet as QGC R Exhibit 2. Is that  
9 the way --

10                  MS. BELL: That's fine, QGC R Exhibit 2.  
11 With regard to Ralph Cavanagh's Affidavit, he will be  
12 available today by telephone by 11:45. I'm thinking  
13 it may make more sense to have him sworn in at that  
14 time rather than having an affidavit unless there's  
15 an issue with that. An affidavit was not filed with  
16 his testimony.

17                  COMMISSIONER CAMPBELL: All right. Are  
18 there any objections to the admission of QGC R  
19 Exhibit 2?

20                  MS. SCHMID: No objections.

21                  MR. WARNICK: No objections.

22                  MR. DODGE: I have no objections. I have  
23 just a brief area of cross-examination for Mr.  
24 Cavanagh, but I have no objection to his testimony  
25 being entered.

26

1 MR. EVANS: No objection.

2 COMMISSIONER CAMPBELL: All right. We'll  
3 admit it.

4 MS. BELL: On behalf of Utah Clean Energy  
5 I would like to offer Mr. Howard Geller's testimony.  
6 He is from the Southwest Energy Efficiency Project  
7 and he filed testimony in this docket on January  
8 23rd, 2006 as Sweep Exhibit 1. I would also like to  
9 offer its attached testimony exhibits, Sweep Exhibits  
10 1.1 through 1.3.

11 And additionally, the Surrebuttal  
12 Testimony of Mr. Geller which was filed on August 14,  
13 2006 as Sweep Exhibit SR1. And with regard to his  
14 Affidavit, he should be available. He was scheduled  
15 to call in this morning at 10:00 a.m. and I think it  
16 would be easier just to have him sworn in at that  
17 time. But again, his testimony did not conclude an  
18 affidavit either.

19 COMMISSIONER CAMPBELL: All right.

20 MR. WARNICK: Mr. Chairman, our witness  
21 was also supposed to have called in at ten o'clock.  
22 I'm wondering if there's any problem with the hook-up  
23 or --

24 COMMISSIONER CAMPBELL: As far as we know,  
25 they have not called in yet. Ms. Orchard, do you

26

1 want to maybe just double-check and see if we have  
2 the right number? Perhaps we could call them.

3 All right. Are there any objections to  
4 the admission of Sweep Exhibit 1 with attachments 1.1  
5 through 1.3 and Sweep SR Exhibit 1?

6 MS. SCHMID: No objections.

7 MR. WARNICK: No objections.

8 MR. DODGE: No objections.

9 MR. EVANS: No objection.

10 COMMISSIONER CAMPBELL: All right. It's  
11 admitted.

12 MS. BELL: We now have available Mr.  
13 Barrie L. McKay to speak on behalf of the  
14 Stipulation.

15 COMMISSIONER CAMPBELL: Why don't we go  
16 ahead and admit the other testimony and then we'll  
17 come back to you.

18 MS. BELL: That will be fine.

19 COMMISSIONER CAMPBELL: Ms. Schmid?

20 MS. SCHMID: Thank you. Portions of Dr.  
21 Powell's testimony marked and admitted as DPU Exhibit  
22 1 were admitted on May 17, 2006. DPU Exhibit 2,  
23 which was the Prefiled Direct Testimony of Mary  
24 Cleveland was also admitted May 17, 2006. DPU  
25 Exhibit 3.0 with 3.1, 3.2 and 3.3 were also admitted

26

1 May 17, 2006.

2 That brings us to the remainder of Dr.  
3 Powell's Direct Testimony which was offered at our  
4 hearing September 5, but not admitted. We would like  
5 -- and corrections were made to that testimony at  
6 that time by Dr. Powell. We would like to offer that  
7 exhibit, the full Exhibit DPU 1.0 at this time, along  
8 with DPU Exhibit 1.0SR, which is the Prefiled  
9 Surrebuttal Testimony of Dr. William A. Powell, plus  
10 a Certificate of Service dated August 15, 2006 --  
11 sorry, October 14, 2006, and DPU Exhibit 1.0ST,  
12 Testimony in Support of the Stipulation of Artie  
13 Powell, Ph.D., which was filed on September 22nd,  
14 2006.

15 COMMISSIONER CAMPBELL: All right. Are  
16 there any objections to the admission of Dr. Powell's  
17 testimony?

18 MR. WARNICK: No objections.

19 MS. BELL: No objections.

20 MR. DODGE: None.

21 MR. EVANS: Mr. Chairman, we made some  
22 comments when we were here last on September 5  
23 regarding the Division's testimony in this docket  
24 given their position as Joint Applicants. And we  
25 would ask that the Commission take notice of those  
26

1 comments. It's my view that those comments go more  
2 to credibility of the testimony than to its  
3 admissibility. So having said that, we will not  
4 object to the admission of that testimony.

5 COMMISSIONER CAMPBELL: All right. If  
6 there are no objections then we will admit it.

7 MS. SCHMID: Thank you.

8 The Division also has other testimony  
9 requested to be admitted, and that is the Prefiled  
10 Direct Testimony of George R. Compton, who is  
11 supposed to be on the phone, but I don't believe he  
12 is at this moment.

13 COMMISSIONER CAMPBELL: Who do we have on  
14 the phone?

15 MR. GELLER: Howard Geller from Sweep.

16 MR. COMPTON: George Compton, DPU.

17 MR. DISMUKES: David Dismukes for the  
18 Committee.

19 COMMISSIONER CAMPBELL: Go ahead.

20 MS. SCHMID: Dr. Compton?

21 DR. COMPTON: Yes.

22 MS. SCHMID: We would like to call you as  
23 a witness, please, and have you be sworn. You have  
24 not previously been sworn in this docket, I believe.

25 DR. COMPTON: That is correct.

26

1                   COMMISSIONER CAMPBELL:  Would you raise  
2   your right arm?  Do you swear that the testimony  
3   you're about to give in this proceeding is the truth,  
4   the whole truth and nothing but the truth, so help  
5   you God?

6                   DR. COMPTON:  I do.

7                   COMMISSIONER CAMPBELL:  Thank you.

8                   Ms. Schmid.

9                   MS. SCHMID:  Thank you.

10                                   GEORGE COMPTON,  
11                   called as a witness, was examined and  
12                                   testified as follows:

13                                   DIRECT EXAMINATION

14   BY MS. SCHMID:

15                   Q.    Dr. Compton, could you please state your  
16   name and business address for the record?

17                   A.    George Compton, Division of Public  
18   Utilities, Salt Lake.

19                   Q.    Were you involved on behalf of the  
20   Division of Public Utilities in this docket?

21                   A.    I have been, yes.

22                   Q.    And in what capacity?

23                   A.    I have prepared several items of testimony  
24   and exhibits and submitted them.

25                   Q.    Certain of these prefiled exhibits have  
26

1       been premarked for identification with different  
2       numbers than the numbers that we're going to use to  
3       admit them, which I apologize for the confusion.  
4       We're going to change our system.

5                       So in January of 2006 you filed Prefiled  
6       Direct Testimony, plus a Certificate of Service and a  
7       chart which was premarked for identification as DPU  
8       Exhibit 2.0 which we are marking for identification  
9       and going to request admission of it here today as  
10      DPU Exhibit 4.0. Do you have any corrections to that  
11      segment of your Prefiled Testimony?

12             A.     I do. Three small ones.

13             Q.     Please proceed.

14             A.     At page 5 --

15             Q.     Can you wait just one second?

16                     COMMISSIONER CAMPBELL: All right, I'm  
17      there.

18             Q.     (BY MS. SCHMID) Please proceed.

19             A.     At the bottom of the page, at the bottom  
20      of the footnote you'll see \$2.50. That should be  
21      \$3.75.

22             Q.     Okay.

23             A.     And turning to page 20.

24             Q.     I'm sorry, page?

25             A.     Twenty.

26



1 Q. Okay.

2 A. Line 447, the third word says "decrease."  
3 That should be "increase."

4 Q. Okay.

5 A. And on page 26, line 606, the middle of  
6 the line you'll see the word "lower." That should be  
7 "greater." And I believe that's all my corrections.

8 Q. If asked the same questions as set forth  
9 in your Prefiled Testimony, would your answers be the  
10 same as those presented with these corrections?

11 COMMISSIONER CAMPBELL: Would you respond?  
12 We didn't hear you.

13 DR. COMPTON: Yes.

14 MS. SCHMID: Thank you. DPU would like to  
15 move the admission of what has been marked as DPU  
16 4.0, the Prefiled Direct Testimony of George R.  
17 Compton as corrected here today.

18 COMMISSIONER CAMPBELL: All right. Can we  
19 do all of his together?

20 MS. SCHMID: Certainly.

21 Q. (BY MS. SCHMID) Next we have what has  
22 been marked today for identification as DPU Exhibit  
23 4.0, which is the Prefiled Addendum Testimony of  
24 George R. Compton, Ph.D., plus a Certificate of  
25 Service which was premarked for identification as

26

1 Exhibit DPU 2.0A. That was filed in January of this  
2 year.

3 Dr. Compton, do you have any --

4 COMMISSIONER CAMPBELL: Ms. Schmid, I  
5 believe you referred to that as DPU Exhibit 4.0.

6 MS. SCHMID: I stand corrected. Thank you  
7 very much, 4.0A. Thank you very much, Chair  
8 Campbell.

9 Q. (BY MS. SCHMID) Dr. Compton, do you have  
10 any changes or corrections to this testimony?

11 A. No.

12 Q. No. Next we have DPU Exhibit 4.0SR, which  
13 is the prefiled Surrebuttal Testimony of George R.  
14 Compton, Ph.D., plus Certificate of Service which was  
15 premarked for identification as DPU 2.0SR and filed  
16 in August of this year.

17 Dr. Compton, do you have any changes or  
18 corrections to this part of your testimony?

19 A. I do not.

20 Q. Thank you.

21 And finally, we have what has been marked  
22 here today as DPU Exhibit 4.1SR, the Testimony of  
23 George Compton Addressing Questions Raised by the  
24 Utah Commission Staff in the June 7, 2006 Technical  
25 Conference which was premarked for identification as

26

1 DPU Exhibit 2.1SR.

2 Dr. Compton, do you have any changes or  
3 corrections to that testimony?

4 A. I do not.

5 Q. Thank you.

6 So with that, the Division would like to  
7 move the admission of DPU Exhibit 4.0, Prefiled  
8 Direct Testimony of George R. Compton, Ph.D., with  
9 the exhibits filed in January of '06; DPU Exhibit  
10 4.0A, the Prefiled Addendum Testimony of George R.  
11 Compton, plus the Certificate of Service filed in  
12 January of '06; DPU Exhibit 4.0SR, the Prefiled  
13 Surrebuttal Testimony of George R. Compton, Ph.D.,  
14 plus the Certificate of Service filed in August of  
15 '06, and finally DPU Exhibit 4.1SR, the Testimony of  
16 George Compton Addressing Questions Raised by the  
17 Utah Commission Staff in the June 7, 2006 Technical  
18 Conference which was filed in August '06.

19 DR. COMPTON: Pardon me, but I didn't  
20 think I heard 4.1 which was the exhibit attached to  
21 the original Prefiled Testimony.

22 MS. SCHMID: I missed that. Could we  
23 then, I guess, add that so it would be DPU Exhibit  
24 4.1, and it would be the exhibit -- was that the  
25 chart?

26

1 DR. COMPTON: That's the chart.

2 Q. (BY MS. SCHMID) Okay. That is  
3 referenced as Exhibit B.

4 A. It was originally marked as Exhibit 2.1 so  
5 I assume you want that to be 4.1?

6 Q. Okay. Let's do that as 4.1. Thank you  
7 for that clarification. I'm sorry for the confusion.

8 COMMISSIONER CAMPBELL: All right. Are  
9 there objections to the admission of Dr. Compton's  
10 testimony?

11 MR. WARNICK: No objections.

12 MS. BELL: No objections.

13 MR. DODGE: No objections.

14 MR. EVANS: Subject to the same comment,  
15 no objections.

16 COMMISSIONER CAMPBELL: All right. We'll  
17 admit it.

18 MS. SCHMID: Thank you.

19 COMMISSIONER CAMPBELL: Mr. Warnick.

20 MR. WARNICK: Thank you, Mr. Chairman. I  
21 don't believe our witness Dr. Dismukes has been  
22 previously sworn in this proceeding.

23 COMMISSIONER CAMPBELL: All right. Dr.  
24 Dismukes, will you please raise your right arm to the  
25 square? Do you swear that the testimony you're about  
26

1 to give in this proceeding is the truth, the whole  
2 truth and nothing but the truth, so help you God?

3 DR. DISMUKES: I do.

4 COMMISSIONER CAMPBELL: Thank you.

5 Mr. Warnick?

6 MR. WARNICK: Thank you.

7 DAVID E. DISMUKES,  
8 called as a witness, was examined  
9 and testified as follows:

10 DIRECT EXAMINATION

11 BY MR. WARNICK:

12 Q. Mr. Dismukes, would you please state your  
13 full name and address for the record?

14 A. My name is David E. Dismukes,  
15 D-I-S-M-U-K-E-S. My business address is 6455 Overton  
16 Street, Baton Rouge, Louisiana.

17 Q. And for whom are you an expert witness in  
18 this proceeding?

19 A. I am an expert on behalf of the Committee  
20 of Consumer Services in this proceeding.

21 Q. And are you the same Dr. David Dismukes  
22 that filed Direct and Supplemental Rebuttal Testimony  
23 in this docket dated May 15, 2006 and June 30, 2006  
24 respectively?

25 A. Yes, I am.

26

1 Q. Turning first to your Direct Testimony of  
2 May 15, 2006, does that written testimony consist of  
3 64 written pages and 10 attached exhibits as well as  
4 a Curriculum Vitae?

5 A. Yes, it does.

6 Q. At this time do you have any corrections  
7 or additions, changes to make to this testimony?

8 A. No, sir, I do not.

9 Q. If you were asked the questions in your  
10 written testimony today, would your answers be the  
11 same as stated in the written testimony?

12 A. Yes, sir, they would be.

13 MR. WARNICK: Mr. Chairman, if there are  
14 no objections, the Committee would like to submit the  
15 Direct Written Testimony of Dr. David Dismukes dated  
16 May 15, 2006 consisting of 64 pages and 10 Exhibits  
17 and a Vitae, for the record.

18 COMMISSIONER CAMPBELL: All right. Can  
19 you also do the Surrebuttal at the same time?

20 Q. (BY MR. WARNICK) Yes. Dr. Dismukes, are  
21 you the same person that filed the May 15 -- I'm  
22 sorry, the June 30th Supplemental Rebuttal Testimony  
23 in this docket?

24 A. Yes, sir, I am.

25 Q. And does that testimony consist of 38  
26

1 pages and 14 attached exhibits?

2 A. Yes, sir, it does.

3 Q. Do you have any corrections or additions  
4 to make to that testimony at this time?

5 A. No, sir, I do not.

6 Q. If you were asked the same questions in  
7 your written testimony today, would your answers be  
8 the same as stated in that testimony?

9 A. Yes, they would be.

10 MR. WARNICK: With that, Mr. Chairman, we  
11 would also ask that Dr. Dismukes' Surrebuttal  
12 Testimony and 14 Exhibits be submitted to the record.

13 COMMISSIONER CAMPBELL: All right. Are  
14 there any objections?

15 MS. SCHMID: No objections.

16 MS. BELL: No objections.

17 MR. DODGE: No objections.

18 MR. EVANS: No objections.

19 MR. BALL: No objection.

20 COMMISSIONER CAMPBELL: All right. It's  
21 admitted.

22 Mr. Warnick.

23 MR. WARNICK: Mr. Chairman, UAE also would  
24 like to submit to the record the Direct Testimony of  
25 Mrs. Elizabeth Wolf. Have you been previously sworn?  
26

1 MS. WOLF: No, I have not.

2 MR. WARNICK: I'm sorry, URA. What did I  
3 say?

4 MS. WOLF: UAE.

5 MR. WARNICK: Oh, small mistake.

6 COMMISSIONER CAMPBELL: Ms. Wolf would you  
7 please stand? Do you swear that the testimony you're  
8 about to give in this proceeding is the truth, the  
9 whole truth and nothing but the truth, so help you  
10 God?

11 MS. WOLF: I do.

12 COMMISSIONER CAMPBELL: Thank you.

13 Mr. Warnick.

14 ELIZABETH WOLF,

15 called as a witness, was examined and

16 testified as follows:

17 DIRECT EXAMINATION

18 BY MR. WARNICK:

19 Q. Ms. Wolf, would you state your full name  
20 and address for the record?

21 A. You bet.

22 COMMISSIONER CAMPBELL: She'll need a  
23 microphone. And perhaps, Mr. Orton, you can give  
24 that microphone to Mr. Warnick.

25 MS. WOLF: Thank you. My name is

26



1 Elizabeth Wolf, W-O-L-F, and my business address is  
2 764 South 200 West in Salt Lake City, Utah.

3 Q. (BY MR. WARNICK) And on whose behalf are  
4 you testifying in this proceeding?

5 A. I'm testifying on behalf of Salt Lake  
6 Community Action Program and Crossroads Urban Center.

7 Q. And are you the same Ms. Elizabeth Wolf  
8 that submitted testimony on May 15 consisting of 22  
9 pages and no exhibits?

10 A. Yes, I am.

11 Q. Do you have any corrections or additions  
12 to make to that testimony at this time?

13 A. I do have one typo. On page 13, line 15,  
14 there's a question and the second word should be  
15 "you," Y-O-U. That's all.

16 Q. And if you were asked the same questions  
17 today that are in your written testimony, would your  
18 answers be the same?

19 A. Yes, they would. Except where there's  
20 some circumstances have changed with the passage of  
21 time, such as there have been more DSM Advisory Group  
22 meetings and more progress in developing potential  
23 programs. Other than that, they would be the same.

24 MR. WARNICK: Thank you. With that, Mr.  
25 Chairman, we would like to submit the testimony of

26

1 Ms. Elizabeth Wolf on behalf of Salt Lake Community  
2 Action Program and Crossroads Urban Center for the  
3 record.

4 COMMISSIONER CAMPBELL: Any objections?

5 MS. SCHMID: No objections.

6 MS. BELL: No objections.

7 MR. WARNICK: No objections from the  
8 Committee.

9 MR. DODGE: No objections.

10 MR. EVANS: No objections.

11 MR. BALL: No objections.

12 COMMISSIONER CAMPBELL: All right. It's  
13 admitted. When are we going to do Mr. Orton's  
14 testimony, when we get to him on the panel or --

15 MR. WARNICK: I'm sorry. We can do that  
16 right now as well. I think all the other --

17 COMMISSIONER CAMPBELL: All the other  
18 Stipulation Testimony has been admitted.

19 MR. WARNICK: Yes. Let's do Mr. Orton,  
20 I'm sorry.

21 MR. GELLER: I'm also on the line still,  
22 Mr. Geller.

23 COMMISSIONER CAMPBELL: Right. We're  
24 going to come back to you.

25 MR. GELLER: Okay.

26

1                   MR. WARNICK: And I think Mr. Orton needs  
2 to be sworn.

3                   COMMISSIONER CAMPBELL: Mr. Orton, would  
4 you please stand? Do you swear that the testimony  
5 you're about to give in this proceeding is the truth,  
6 the whole truth and nothing but the truth, so help  
7 you God?

8                   MR. ORTON: I do.

9                   COMMISSIONER CAMPBELL: Thank you.

10                  Mr. Warnick.

11                                 ERIC ORTON,  
12                  called as a witness, was examined  
13                                 and testified as follows:

14                                 DIRECT EXAMINATION

15 BY MR. WARNICK:

16                  Q.     Mr. Orton, would you please state your  
17 name and address for the record?

18                  A.     My name is Eric Orton. I work here in the  
19 Heber Wells Building for the Committee of Consumer  
20 Services.

21                  Q.     And are you the same Eric Orton that filed  
22 testimony dated September 21st in this docket on  
23 behalf of the Committee of Consumer Services?

24                  A.     I am.

25                  Q.     And does that testimony consist of seven  
26

1 pages?

2 A. It does.

3 Q. Do you have any corrections or additions  
4 to make to that testimony?

5 A. I don't.

6 Q. If you were asked the same questions in  
7 your testimony today, would your answers be the same  
8 as stated in the written testimony?

9 A. They would.

10 MR. WARNICK: Thank you. With that, Mr.  
11 Chairman, we would like to submit the Stipulation  
12 Testimony of Mr. Eric Orton for the record.

13 COMMISSIONER CAMPBELL: All right. Are  
14 there any objections?

15 MS. SCHMID: No objections.

16 MS. BELL: No objections.

17 MR. DODGE: No objections.

18 MR. EVANS: No objections.

19 MR. BALL: No objections.

20 COMMISSIONER CAMPBELL: All right. It's  
21 admitted.

22 Ms. Bell, can I come back to you to finish  
23 up with Mr. -- or Dr. Geller's testimony?

24 MS. BELL: Yes. And I believe Mr. Geller  
25 has not been sworn in this proceeding.

26

1                   COMMISSIONER CAMPBELL:  Would you please  
2   raise your right arm to the square?

3                   Do you swear that the testimony you're  
4   about to give in this proceeding is the truth, the  
5   whole truth and nothing but the truth, so help you  
6   God?

7                   MR. GELLER:  I do.

8                   COMMISSIONER CAMPBELL:  Thank you.

9                   Ms. Bell.

10                                   HOWARD GELLER,  
11                   called as a witness, was examined  
12                   and testified as follows:

13                                   DIRECT EXAMINATION

14   BY MS. BELL:

15                   Q.    Mr. Geller, will you please state your  
16   name and business address for the record?

17                   A.    My name is Howard Geller, G-E-L-L-E-R.  
18   My business address is 2260 Baseline Road, Suite 212,  
19   Boulder, Colorado, 80302.

20                   Q.    On whose behalf are you testifying today,  
21   Mr. Geller?

22                   A.    I'm testifying on behalf of the Southwest  
23   Energy Efficiency Project and Utah Clean Energy.

24                   Q.    Are you the same Howard Geller who filed  
25   Direct Testimony in this docket on January 23, 2006

26

1 and Surrebuttal Testimony on August 14, 2006?

2 A. I am.

3 COMMISSIONER CAMPBELL: We didn't hear  
4 that response. Could you please repeat your  
5 response?

6 MR. GELLER: I am.

7 Q. (BY MS. BELL) Do you have any  
8 corrections to either of those testimonies?

9 A. I do not.

10 MS. BELL: Mr. Geller would now be  
11 available.

12 COMMISSIONER CAMPBELL: All right. Thank  
13 you.

14 We've already actually, Mr. Geller,  
15 admitted your testimony before you came on line.

16 All right. Where are we at? Have we  
17 dealt with all our witnesses? Mr. Cavanagh is not on  
18 the phone.

19 MS. BELL: Mr. Cavanagh will be available  
20 at 11:45. I believe Mr. Higgins is another  
21 witness --

22 MR. DODGE: Mr. Chairman, Mr. Higgins is  
23 traveling this morning. There are at least a couple  
24 of options. One is he will be available by phone  
25 later this morning or in person later this afternoon.

26

1 Or if nobody has any cross-examination, I would move  
2 the admission of his testimony without any  
3 appearance.

4 COMMISSIONER CAMPBELL: All right. Are  
5 there any objections to the admission of Mr. Higgins'  
6 testimony?

7 MS. SCHMID: No objections.

8 MR. WARNICK: No objection from the  
9 Committee.

10 MS. BELL: No objections.

11 MR. EVANS: No objections.

12 MR. BALL: No.

13 COMMISSIONER CAMPBELL: All right. It's  
14 admitted.

15 MR. DODGE: For the record, it's called  
16 UAE Exhibit 1 with an attached Exhibit 1.1.

17 COMMISSIONER CAMPBELL: All right. Thank  
18 you. That evidence is admitted.

19 I believe that takes care of it. We do  
20 have to remember, when Mr. Cavanagh comes on line to  
21 finish up with his testimony.

22 Ms. Bell, back to you.

23 BARRIE L. MCKAY,

24 called as a witness, was examined

25 and testified as follows:

26

1 DIRECT EXAMINATION

2 BY MS. BELL:

3 Q. Mr. McKay, please state your name and  
4 business address for the record.

5 A. My name is Barrie L. McKay. My business  
6 address is 180 East 1st South, Salt Lake City.

7 Q. Are you the same Barrie McKay that filed  
8 Direct Testimony in this docket on January 23, 2006,  
9 Surrebuttal Testimony on August 14, 2006, and  
10 Testimony in Support of the Settlement Stipulation on  
11 September 21, 2006?

12 A. Yes.

13 Q. Would you provide a summary of your  
14 Stipulation Testimony for us today?

15 A. Yes. The purpose of my testimony is to  
16 explain why the Settlement Stipulation is a just and  
17 reasonable resolution of the issues in this docket  
18 and why its adoption by the Commission is in the  
19 public interest.

20 In my testimony filed last Thursday I  
21 provided a description of the process leading to the  
22 Settlement Stipulation that was filed by the parties  
23 on September 13th, 2006. The point of the  
24 description was to demonstrate that the issues are  
25 resolved by the Settlement Stipulation, that are

26



1 resolved by it have been thoroughly reviewed by the  
2 parties over the course of a nearly four-year  
3 process, and that the Stipulation was not agreed upon  
4 in this docket until the parties had fully developed  
5 their positions and were prepared to present the  
6 matter to the Commission.

7           The settlement discussions were conducted  
8 in good faith and at arm's length with each party  
9 representing its interests vigorously. In addition,  
10 the expertise provided by the staffs of the Division  
11 and the Committee and various Company employees, the  
12 parties also relied upon the expertise of Howard  
13 Geller and Ralph Cavanagh and David Dismukes. Other  
14 parties to the docket that have not joined the  
15 Settlement Stipulation relied upon the expertise of  
16 their staffs and witnesses who filed testimony in  
17 this docket. All parties either signed the  
18 Settlement Stipulation or have indicated that they  
19 will not oppose it.

20           The Stipulation provides for a three-year  
21 pilot program with Conservation Enabling Tariff and  
22 demand-side management components. An initial credit  
23 will be made to the CET balancing account in the  
24 amount of \$1.1 million. This amount was calculated  
25 as though the CET had been in effect from January 1,  
26

1 2006 through June 30, 2006. This credit is proposed  
2 to be amortized through a reduction in rates in  
3 conjunction with the Company's fall pass-through  
4 filing. The Stipulation also provides that the  
5 Company will transfer \$1.3 million from unexpended  
6 funds included in rates for research and development  
7 to the DSM deferred account effective with the  
8 Commission Order approving the Stipulation  
9 Stipulation. Interest will accrue on the CET  
10 balancing account and the DSM deferral account at the  
11 rate approved for account 191 balances.

12           The Company will implement the CET  
13 effective on the first of the month following  
14 Commission approval of the Stipulation. The Company  
15 is hopeful that the Commission might be able to  
16 approve the Stipulation prior to the end of September  
17 so that the CET may be implemented on October 1,  
18 2006. After the CET is effective, accrual to be made  
19 to the balancing account as if the CET had been in  
20 effect starting July 1, 2006. Accruals for July and  
21 subsequent months will not be amortized until the  
22 second semiannual amortization. The Company will  
23 make amortization filings concurrent with future  
24 pass-through filings.

25           There are significant limitations on CET  
26

1 balancing account deferrals and amortizations in the  
2 Stipulation. Through August 2007 accruals to the CET  
3 balancing account are capped at a cumulative 12-month  
4 total equal to 1 percent of the Company's total GS  
5 revenue. That's the GS1 class and the GSS class.

6 In addition, during the first year of the  
7 CET, amortizations of the CET balancing account are  
8 capped at a cumulative 12-month total equal to 1/2 of  
9 1 percent of the Company's total GS revenue. Any  
10 remaining balances in the account will be carried  
11 forward and will be amortized in subsequent years.

12 The Stipulation also provides for a  
13 one-year review during the first year of the pilot  
14 program. The one-year review allows the CET to go  
15 into effect for approximately one year so that the  
16 parties can review the effects of full decoupling and  
17 continue to study and develop proposals on possible  
18 alternatives. The parties agree that it was  
19 beneficial to implement DSM now in advance of the  
20 winter 2006-2007 heating season rather than waiting  
21 for an additional period of time while the parties  
22 study and refine alternative proposals.

23 During the one-year review any party may  
24 propose an alternative or alternatives or advocate  
25 continuance of the CET with or without the

26

1 limitations. The Company will provide available data  
2 with respect to the CET as requested by any other  
3 party.

4           The Stipulation proposes that the  
5 Commission schedule a Technical Conference on or  
6 about April 18, 2007 so that the parties and the  
7 Commission can review the status and potential  
8 alternatives or proposals to continue the CET. This  
9 will allow parties to learn whether other parties  
10 plan to file written testimony or Position Statements  
11 on alternatives to or continuance of the CET.

12           The Stipulation provides that any party  
13 wishing to do so must file written testimony or  
14 Position Statements on alternatives to or  
15 continuation of the CET by June 1, 2007.

16           Assuming one or more parties files written  
17 testimony, Position Statements by June 1, 2007, the  
18 parties agree to cooperate in the scheduling  
19 proceeding so that all evidence and argument is  
20 submitted and the matter can be submitted to the  
21 Commission no later than September 14, 2007. The  
22 parties anticipate that the hearings in this  
23 proceeding would take place near the beginning of  
24 September 2007 so that a decision from the Commission  
25 could be made by the end of September for how to

26

1 proceed for years two and three of the pilot program.

2           The parties agree that the Natural Gas DSM  
3 Advisory Group will collaborate with the Company in  
4 its filing and application no later than 60 days  
5 following the date the Stipulation is approved  
6 requesting expedited approval of DSM programs. The  
7 parties will work in good faith as members of the DSM  
8 Advisory Group to recommend DSM programs that will  
9 have an immediate benefit to customers in the winter  
10 of 2006-2007 heating season.

11           In anticipation of the Commission approval  
12 of these DSM programs, the Company will take all  
13 necessary and reasonable steps to be able to execute  
14 such DSM programs upon receiving Commission approval.  
15 The DSM Advisory Group will continue to collaborate  
16 with the Company in its filing for Commission  
17 approval of additional cost-effective DSM programs as  
18 soon as reasonably possible after the Commission's  
19 approval of the first set of DSM programs. The  
20 Company agrees to propose DSM programs during the  
21 first year with the total anticipated costs from  
22 \$2 million to \$5 million.

23           The Settlement Stipulation provides that  
24 the DSM aspect of the pilot program will run for the  
25 entire three-year period of the pilot program. The  
26

1 Company, with input from the DSM Advisory Group, will  
2 seek Commission approval of the DSM programs and  
3 expenditures. The Stipulation requests that the  
4 Commission issue accounting orders establishing the  
5 CET balancing account and the DSM deferral account as  
6 requested in the Joint Application and as set forth  
7 in the proposed tariff sheets attached to the  
8 Stipulation.

9           The Stipulation achieves at least two  
10 important goals. First, the CET aligns the interest  
11 of the Company, customers, regulators and other  
12 interested parties to effectively promote  
13 cost-effective conservation measures to save energy  
14 and reduce customers' costs. My Exhibit SR1.4  
15 summarizes the savings that will result from just a 1  
16 percent annual reduction in usage over a five-year  
17 period. Year five shows a net savings for customers  
18 of \$32 million. There's been some question of where  
19 that came out. It isn't exactly calculated, but it's  
20 simply taking the \$40 that's identified in year 5 of  
21 that exhibit per customer and simply multiplying  
22 that \$40 by 800,000 customers to come up with the  
23 \$32 million.

24           This is particularly important at a time  
25 when customers are bearing the burden of higher  
26

1 energy costs. The CET allows the Company to support  
2 cost-effective energy efficiency programs that  
3 benefit customers because it removes the financial  
4 harm that the Company experiences when customers'  
5 usage declines.

6           Second, customers will receive direct  
7 benefits from the CET and DSM and a modest rate  
8 reduction. The pilot program is consistent with the  
9 recommendations of many state and national energy  
10 policy groups regarding implementing team alternative  
11 rate design or tariff designs to promote energy  
12 efficiency and conservation. Among these groups are  
13 the American Gas Association, the National Resource  
14 Defense Council and NARUC. Copies of their  
15 recommendations were attached as exhibits to the  
16 Joint Application.

17           On April 25, Governor Jon Huntsman  
18 announced the Utah policy to advance energy  
19 efficiency in the state. This policy states a goal  
20 to reduce energy consumption in Utah by 20 percent by  
21 2015. As part of the effort the policy states,  
22 "State government will work with stakeholders to  
23 identify and address regulatory barriers to increase  
24 deployment of energy efficiency. Adoption of the CET  
25 will remove a regulatory barrier to energy

26

1 conservation and is consistent with Governor  
2 Huntsman's policy."

3           Finally, on July 2006 the National Action  
4 Plan for Energy Efficiency was published. This  
5 report is a plan developed by the 50 leading  
6 organizations in pursuit of energy savings and  
7 environmental benefits through electric and natural  
8 gas energy efficiency. The report's five  
9 recommendations are: 1) Recognize efficiency as a  
10 high priority energy resource; 2) Make a strong  
11 long-term commitment to implement cost-effective  
12 energy efficiency as resource; 3) Broadly communicate  
13 the benefits and opportunities for energy efficiency;  
14 4) promote sufficient timely and stable program  
15 funding to deliver energy efficiency where  
16 cost-effective, and 5) Modify policies to align  
17 utilities and incentives with the delivery of  
18 cost-effective energy efficiency and modify  
19 ratemaking practices to promote energy efficiency  
20 investments.

21           The Stipulation addresses the critical  
22 issues raised by these and other state, federal and  
23 industries' call for action on the subject of energy  
24 efficiency. Specifically, the Stipulation provides  
25 for limited barrier removal adequate for the purposes  
26



1 of the first year of the pilot program. It provides  
2 a workable structure for the formulation, the review,  
3 the approval, the implementation and evaluation of  
4 the full decoupling mechanism and of energy  
5 efficiency measures found to be in the public  
6 interest.

7           The Stipulation utilizes the collaborative  
8 process and allows the Company to fully engage in the  
9 pursuit of energy efficiency. I want to note that  
10 the limitation on the CET accrual and amortization in  
11 the Stipulation could continue to provide a  
12 disincentive for Questar Gas to whole-heartedly  
13 promote conservation programs. If customers' usage  
14 falls by more than 1 percent of GS revenues, the  
15 limitation will prevent Questar Gas from recovering  
16 the full amount of distribution non-gas costs that  
17 the Commission has found reasonable. Limitations  
18 were necessary compromises to make certain other  
19 parties feel comfortable with the pilot program  
20 during its first year.

21           The Company believes that even with the  
22 limitations we will have adequate incentives to  
23 promote energy efficiency programs during the first  
24 year of the pilot program. Following the first year,  
25 the Company is hopeful that others will recognize

26

1       that the substantial savings to customers available  
2       from reduced commodity costs, from cost effective DSM  
3       programs, overwhelm the possibility that increased  
4       distribution non-gas rates might be necessary to  
5       allow the Company to recover expenses previously  
6       found to be just and reasonable by the Commission.  
7       The Company is willing to go forward in good faith  
8       based upon the terms and conditions of the  
9       Stipulation.

10                   In conclusion, all the testimony filed in  
11       this case supports implementation of cost-effective  
12       DSM programs. The Stipulation provides a means for  
13       this to happen. In addition, the Stipulation is  
14       consistent with the policies recommended by the  
15       Governor's Office and other state and federal policy  
16       makers to remove regulatory barriers to utility  
17       participation in conservation programs and to promote  
18       cost-effective energy efficiency. The evidence  
19       demonstrates that customers will realize significant  
20       benefits through implementations of cost-effective  
21       energy efficiency programs, and for these reasons I  
22       believe the Stipulation is just, reasonable and in  
23       the public interest and, therefore, should be  
24       approved and adopted by this Commission.

25           Q.       Does that conclude your testimony?

26

1           A.     That concludes my summary, yes.

2           COMMISSIONER CAMPBELL:  Is he available  
3 for cross-examination?

4           MS. BELL:  Yes.  Mr. McKay is now  
5 available.

6           COMMISSIONER CAMPBELL:  Any questions?

7           MS. SCHMID:  None from the Division.

8           MR. WARNICK:  None from the Committee.

9           MR. DODGE:  No questions.

10          MR. EVANS:  I have just a couple of  
11 questions for Mr. McKay.

12          COMMISSIONER CAMPBELL:  Go ahead.

13                                CROSS-EXAMINATION

14       BY MR. EVANS:

15           Q.     Mr. McKay, I am curious about some details  
16 of what the Company perceives is going to occur in  
17 the one-year review.  In your testimony in support of  
18 the Stipulation, I'm looking at page 14, lines 253,  
19 is where I see this.  It reads there -- do you have  
20 that in front of you?

21           A.     Yeah, I do.

22           Q.     It reads, "The one-year review allows the  
23 CET to go into effect for approximately one-year so  
24 that the parties can review the effects of full  
25 decoupling and continue to study and develop

26

1 proposals on possible alternatives."

2 Have I read that correctly?

3 A. Yes.

4 Q. And a minute ago I thought I heard you say  
5 that the Commission also will have an opportunity in  
6 the one-year review to evaluate the effects of full  
7 decoupling; is that correct?

8 A. Well, that's essentially what the CET is  
9 as proposed. And so I guess my observations were  
10 going to be they will have the opportunity to review  
11 the CET which is full decoupling.

12 Q. And that would include -- well, let me ask  
13 you. In your view, would that include the results of  
14 the one-year operation of the CET? Would they get a  
15 chance to look at that at the one-year review?

16 A. I would anticipate all parties would be  
17 interested in what entries have been made and what  
18 effects that it had as far as our accounting  
19 increase.

20 Q. But the Stipulation isn't going to prevent  
21 the parties from presenting that data to the  
22 Commission, is it?

23 A. It wouldn't be my -- no, I don't --

24 Q. And it would also allow the Commission to  
25 review at that time the reasonableness of the CET?

26

1           A.     I think that's what the one-year review  
2     is.   Essentially we've agreed to, by this  
3     Stipulation, that the CET, which is full decoupling,  
4     would go into place with the limitations that we've  
5     put out there and that we've talked about.  And then  
6     in April the parties will give an indication of what  
7     their position would be going forward and all parties  
8     can propose to their delight.  And I would anticipate  
9     that there might be a party that would propose  
10    continuation of that with perhaps some removing of  
11    some limitations.  But all of us agree to review and  
12    analyze that as we go throughout this year.

13           Q.     And that's what your testimony says and  
14    that's what the Stipulation says, but I'm trying to  
15    be sure that the Commission will also have a chance  
16    to look at all of that in the one-year review and  
17    then make the determination about whether the CET has  
18    achieved its intended purpose and whether it's just  
19    and reasonable and all of that.

20           A.     Is that a question or --

21           Q.     Yes.  Is that how you understand the  
22    one-year review to operate?

23           A.     Not only that, but I'll observe also that  
24    the Division, by what's been filed in the application  
25    that we're trying to follow also is going to be, I

26

1 think, doing quarterly reports to the Commission  
2 during the first year. So I would think that all of  
3 that would be under review where any party is free to  
4 bring up anything and put it before the Commission at  
5 that one-year review.

6 Q. So including any -- let's see. Let me  
7 find where it is. In the Stipulation itself at  
8 paragraph 19, I want to ask you a couple of questions  
9 about limitations on parties' positions. That's  
10 where we're heading with this.

11 A. Which paragraph is it?

12 Q. Paragraph 19 in the Stipulation. I would  
13 just like a little clarification on how the Company  
14 thinks this works.

15 A. Okay.

16 Q. The Division and Committee are going to be  
17 restricted under this paragraph, aren't they?

18 A. I think it says the Company, Division and  
19 Committee shall not raise arguments opposing  
20 continuation of the CET or adoption of an alternative  
21 during or prior to the proceeding relating to the  
22 one-year review based on a contention that the  
23 Commission lacks authority to approve the CET, the  
24 pilot program or an alternative, or that proper  
25 procedures have not been followed in approval of the

26

1 CET pilot program or an alternative.

2 So I think that's what you're after and  
3 that's what it says is there is limitations on those  
4 three parties.

5 Q. From raising the contention that the  
6 Commission lacks authority to approve the CET, or  
7 would you include in there other objections to the  
8 CET based on whether it's lawful?

9 A. I think that's what the intent was of that  
10 particular paragraph and you using the word "lawful"  
11 there.

12 Q. Well, if we look over on 22, I think that  
13 clarifies a little bit, doesn't it, what has been  
14 preserved?

15 A. I think so.

16 Q. The first sentence of paragraph 22 says,  
17 "The parties expressly acknowledge and agree that no  
18 party to this docket has waived any contention  
19 regarding the jurisdiction of the Commission to  
20 approve this Stipulation or regarding whether the  
21 Commission can lawfully approve the CET or pilot  
22 program."

23 Have I read that correctly?

24 A. Yes, that's what it says.

25 Q. But for the year, I'm reading this

26

1 paragraph 19 to mean, that the Division or the  
2 Committee can't raise those arguments within the next  
3 year; is that correct?

4 A. I think that's the intention of paragraph  
5 19.

6 Q. And so when this matter comes to the  
7 Commission for review a year from now, is it the  
8 Company's view that the Committee and the Division  
9 will not be able to argue against the lawfulness of  
10 the CET?

11 A. And I think you should add the Company.

12 Q. Well, I presume the Company won't argue  
13 against the lawfulness of its own program. But to  
14 answer the question --

15 A. I think that's correct.

16 Q. And so the parties who are not mentioned  
17 in here would be able to raise any legal argument at  
18 that time?

19 A. I think that was the position, the concern  
20 that the party that you're representing had, and I  
21 think that you could at that time raise that argument  
22 if you would like.

23 Q. You're aware that the IGU was  
24 contemplating filing legal argument in this case  
25 after the close of hearing, aren't you?

26



1 A. Was or is?

2 Q. Well, we're not going to have a hearing  
3 now so -- on the full CET. The CET is not going to  
4 go to judgment, is it, today?

5 A. I think it's the Stipulation which is --  
6 so I guess I don't know how you're dividing that  
7 question up. I'm a little confused.

8 Q. Well, are you aware that the -- let me ask  
9 it this way. Are you aware that the IGU is going to  
10 file legal argument on the CET?

11 A. I'm unaware.

12 Q. Okay. If the IGU chooses to do that, can  
13 they do it a year from now under the Stipulation?

14 A. Yes.

15 Q. We don't have to do it this week?

16 A. That's correct.

17 Q. Or next week?

18 A. That's what I understood this to be.

19 Q. We can do it at any time?

20 A. Yes.

21 Q. And we will not have waived those  
22 arguments?

23 A. Yes.

24 Q. Thank you.

25 MR. EVANS: No more questions.

26

1 COMMISSIONER CAMPBELL: Mr. Ball?

2 MR. BALL: Thank you, Chairman.

3 CROSS-EXAMINATION

4 BY MR. BALL:

5 Q. Good morning, Mr. McKay.

6 A. Good morning.

7 Q. I just want to clarify the meaning of one  
8 word in its singular and plural versions. In  
9 connection with this docket, those of us, the  
10 Division, the Committee and those of us who have  
11 intervened, are commonly referred to individually as  
12 a party and collectively as parties. Would you  
13 agree?

14 A. Generally.

15 Q. The Stipulation begins or has near its  
16 beginning -- let me see if I can be specific on that.  
17 In fact, on the first page in the first paragraph in  
18 parentheses towards the end of that paragraph,  
19 defines Questar, the Division, Utah Clean Energy and  
20 the Committee as collectively "parties"?

21 A. Yes.

22 Q. In your summary of testimony, your oral  
23 summary testimony today you used the words "party"  
24 and "parties" repeatedly. If I can refer you to  
25 paragraph 15 of the Stipulation and to the

26

1 penultimate sentence -- tell me when you're ready,  
2 please.

3 A. I am at paragraph 15.

4 Q. Okay. And the penultimate sentence begins  
5 "When any party schedules anything"?

6 A. Yes.

7 Q. "Intended to be open to all parties it  
8 shall provide notice of the meeting to all parties."  
9 Could you clarify for us what the words "party,"  
10 "parties" and "parties" in that sentence refer to?

11 A. It sounds like a big party.

12 Q. That would be fun.

13 A. I think "party" is any party that has  
14 intervened in this case.

15 Q. In the docket?

16 A. Yeah. And any other party that might get  
17 interested in this case some night while they lay  
18 asleep, and then if we happen to have -- that  
19 particular party thinks that they want to have a  
20 meeting that all interested parties, whether they are  
21 currently here or not, I guess, and they think they  
22 all should be invited, they're going to invite  
23 everybody. And I think the limitation that maybe  
24 you're after, that I'll be very clear with, is we  
25 obviously limited the parties at the start of this

26

1 Stipulation to represent just those that are going to  
2 be signing the Stipulation. At this point I think  
3 we're identifying -- maybe it is paragraph 16 that  
4 broadens it. I have just had informed to me that  
5 perhaps clarifies what you're concerned with there.  
6 And, that is, right at the end of the page it says,  
7 "For purposes of the portion of this Stipulation  
8 dealing with the rights of the parties during the  
9 pilot period and the one-year review, the term  
10 'party' or 'parties' shall refer to the parties to  
11 this Stipulation any person that has previously been  
12 granted intervention in this docket and to any other  
13 person granted intervention by the Commission in this  
14 docket hereafter."

15 Q. Okay. You lost me there for a minute. If  
16 the Commission would bear with me for a second while  
17 I just try and catch up.

18 Okay. Thanks. I think that's helpful,  
19 actually. I do have a further question along this  
20 line.

21 In that paragraph 16 to which you just  
22 referred, the first sentence, "During the first year  
23 of the pilot program the parties request that a  
24 Commission proceeding be held at which parties will  
25 have the opportunity to propose alternatives to the  
26

1       CET to be in effect during the balance of the pilot  
2       program."

3                     Have I read that correctly?

4             A.     Yes.

5             Q.     Again, could you -- would I be right in  
6       thinking that the first time the word "parties"  
7       appears it refers to the parties to the Stipulation;  
8       the second time that that word appears it refers to  
9       all of the parties to this docket?

10            A.     Not knowing every place where "parties"  
11       has been used.

12            Q.     Well, just in that one sentence twice.

13            A.     Okay.  You're talking just in this  
14       sentence?

15            Q.     I'm talking about the one first sentence  
16       in paragraph 16.

17            A.     Okay.  I agree that the first "parties"  
18       are those that signed the document.  And then I think  
19       that we bring up "parties" again and that's why we  
20       define it later in that paragraph.  So yes.

21            Q.     So the second "parties" are the parties to  
22       the docket?

23            A.     And any others that the Commission may  
24       grant intervention to in the future.

25            Q.     Thank you.

26

1                   Again in that same sentence the  
2                   Stipulation refers to "a Commission proceeding be  
3                   held." Is it the intention, is it the recommendation  
4                   of the parties to the Stipulation that this should be  
5                   a separate docket or would the parties to the  
6                   Stipulation recommend that this proceeding would fly  
7                   under this same docket number?

8                   And to help you address what my real  
9                   concern is here, I guess I'm concerned that it's  
10                  possible that if a separate docket were opened, I, in  
11                  particular, might not become aware of it if it were  
12                  not dealt with under this same docket number until it  
13                  was too late to effectively participate.

14                 A.     I don't know where the question ended or  
15                 started on that one. But I'll observe that I think  
16                 that the question you asked actually was discussed  
17                 during the process of putting together the  
18                 Stipulation. And I don't know if it was definitively  
19                 determined, but I think basically people felt  
20                 comfortable with recognizing that, one, this is a  
21                 pilot program and so it is going to run for a  
22                 three-year period, and none of us seemed to be  
23                 offended with the idea of continuing this docket.

24                         MR. BALL: Thank you very much.

25                         COMMISSIONER CAMPBELL: Thank you.

26

1 Mr. Allen?

2 MR. COMPTON: Excuse me. This is George.

3 Am I given leave to leave and did I miss that?

4 MS. SCHMID: Perhaps at this juncture we  
5 could ask. I was going to do that when we got to our  
6 part.

7 Does anyone perhaps have questions for Dr.  
8 Compton?

9 MR. WARNICK: The Committee has no  
10 questions.

11 MS. BELL: No questions.

12 MR. DODGE: No questions.

13 MR. EVANS: No questions.

14 COMMISSIONER CAMPBELL: All right. It  
15 appears there are no questions for you, Dr. Compton.  
16 So if you want to hang up that would be fine.

17 THE WITNESS: Thank you.

18 MS. SCHMID: Thank you.

19 COMMISSIONER CAMPBELL: All right.

20 Commissioner Allen.

21 COMMISSIONER ALLEN: Thank you, Mr.

22 Chairman.

23 I have a couple of questions for Mr. McKay  
24 that deal a little bit with the intentions for  
25 reporting benchmarks so I'm clear on that. Do you

26

1 anticipate examining data and creating methods for  
2 separating out new program DSM from the existing  
3 trend line of diminishing customer usage? Are you  
4 going to be able to separate that out for us?

5 MR. MCKAY: Actually, I think that's some  
6 of the issues that we're working through in our DSM  
7 working group, which we'll call an advisory group,  
8 assuming we get a Commission order for doing that.  
9 And we recognize that particularly when we go about  
10 trying to create what we're calling a market  
11 transformation that becomes very difficult to carve  
12 that out specifically. But I think that the parties  
13 will make an effort on a particular program that  
14 lends themselves to doing that to do just that.

15 Other programs I don't think will lend  
16 themselves to be able to do that, particularly,  
17 general advertising or other types of things that go  
18 along that line. I don't know how far reaching it  
19 is. The Company obviously can give out a lot of  
20 information, and being able to specifically track  
21 that makes it difficult, but that's what we're  
22 wanting to try to jump in whole-heartedly and be part  
23 of and create some synergies. Our efforts and our  
24 analysis that we put together here doesn't  
25 necessarily reach with our preliminary numbers the  
26



1 goal the Governor has put out there. And so I think  
2 there's going to have to be synergies that create a  
3 greater movement than what we've particularly  
4 estimated at this time.

5 COMMISSIONER ALLEN: Okay. And then do  
6 you have the accounting ability and have you  
7 discussed using regional or even county-by-county  
8 data so that we can see what's happening with warm  
9 areas versus cold weather areas or service areas?  
10 Have you discussed these issues and do you have the  
11 ability to capture that data?

12 MR. MCKAY: Doing things by county has not  
13 been specifically discussed at this point. But we're  
14 hearing that right now. So I think that we would be  
15 able to, depending on the program again, be able to  
16 see what the participation levels may or may not have  
17 been. We are committed to being able to make these  
18 programs available for all of our customers. So it's  
19 not in one particular county, but it will be  
20 interesting to see what the participation rates are  
21 for those that lend themselves to being able to be  
22 tracked that way.

23 COMMISSIONER ALLEN: Thank you.

24 COMMISSIONER CAMPBELL: Commissioner  
25 Boyer.

26

1                   COMMISSIONER BOYER: Yes. I have a couple  
2 of questions, Mr. McKay. To set the context for my  
3 question, I'm going to say a few things that I don't  
4 mean to be critical of the Company, but the case has  
5 been pretty well presented to us and even the name,  
6 Conservation Enabling Tariff is helpful to your  
7 cause. And I would use the same sort of terminology,  
8 but it's not called the Revenue Stabilization Tariff  
9 or the Regulatory Lag Reduction Tariff or something  
10 of that nature.

11                   The focus is clearly on conservation. And  
12 so I have a particular interest in the metrics in  
13 this case. Will it work as performed if it's  
14 approved by this Commission? We've had a fairly  
15 effective DSM, demand-side management program in the  
16 last few years called \$10 Decatherm Gas, and as  
17 Company statistics have shown, usage per customer has  
18 declined perhaps in part to the increased cost. So  
19 that's the context for my question.

20                   What kind of data does the Company think  
21 needs to be collected so that we can determine the  
22 efficacy of these programs, the programs that are put  
23 forth and the monies expended on conservation? What  
24 kinds of data should be collected?

25                   MR. MCKAY: I'll observe that that's  
26

1 something I think we're working with and would be  
2 something that the Division would be reporting on.  
3 We will be able to make available knowing exactly  
4 what our dollars will be that we will be spending on  
5 it. And so that's one thing that you want that I'm  
6 hearing all would be interested in. It's what we  
7 would anticipate within 60 days presenting before the  
8 Commission and, that is, the programs, what the  
9 expenditures would be. And we're going to have the  
10 costs of those programs as far as I think being able  
11 to be broken out with the administration as well as  
12 the actual expense for those participating in it.

13           Then I think also the data that we're  
14 after, very interested in, is that in those that lend  
15 themselves to specifically being able to know this  
16 dollar went towards a rebate on this furnace. We  
17 would be able to, if that information -- which it  
18 would be if we're going to be sending the check to  
19 them as a rebate, know the address that it went to,  
20 and we would be able to see what usage has been 12  
21 months before and the months after. That type of  
22 data could be available for those of that specific  
23 program, other data on the market transformation.

24           And we recognize that we have not  
25 aggressively been promoting a market transformation

26

1 of this nature because of our number one DSM program  
2 which has been price. That seems to have been doing  
3 that, but we haven't been providing information. As  
4 we go out and do information and do advertising,  
5 going to communities, provide information, I'm just  
6 giving you a feel here, these are not necessarily  
7 programs that are before you, but these are programs  
8 that have been talked about in the group, of going  
9 into schools and talking about the energy efficiency  
10 of the nature of what they can do in their own homes,  
11 what they could do in their schools, particularly in  
12 teaming up with the State of Utah. That becomes more  
13 difficult for us to know how effective which child,  
14 not knowing the address or everything they have, but  
15 it does tend to create a market transformation.

16 We recognize that that's very difficult to  
17 identify. That's one of the issues that isn't  
18 necessarily before you this date, maybe in the  
19 future, arguments between full decoupling or partial  
20 decoupling, and one of the reasons why the Joint  
21 Applicants felt that it was wise to propose a full  
22 decoupling before you at this time.

23 COMMISSIONER BOYER: And I think you've  
24 hit it. The difficulty really is going to -- I'm not  
25 an economist, but isn't the difficulty going to be in

26

1 isolating extraneous variables that affect per  
2 customer usage?

3 MR. MCKAY: Yes.

4 COMMISSIONER BOYER: And so we would want  
5 to accommodate appropriate data to be able to make  
6 those kind of determinations, it would seem to me?

7 MR. MCKAY: We'll try to gather all the  
8 available reasonable data that we can, recognizing  
9 that some of those things mentioned are not going to  
10 be possible with a market transformation message in  
11 an advertising.

12 COMMISSIONER BOYER: Is it your suggestion  
13 that if an order would issue approving the CET, the  
14 order would not need specific detail on the kinds of  
15 data collected, perhaps a catchall saying data  
16 sufficient for analysis or something like that and  
17 then that sufficiency could be determined at a later  
18 date? Is that sort of what you're telling me?

19 MR. MCKAY: Having discussed that in the  
20 task force groups as well as the working group, that  
21 seems to be the focus and the direction that we are  
22 heading. So yes.

23 COMMISSIONER BOYER: And for the time  
24 being we would not be, if this Stipulation is  
25 approved, we would not be discussing immediately

26

1 alternatives to a decoupling mechanism such as the  
2 use of the forecast test year and that sort of thing,  
3 but those issues could we revisited later and are  
4 contemplated to be revisited at the one-year review;  
5 is that correct?

6 MR. MCKAY: Yes.

7 COMMISSIONER BOYER: In your testimony the  
8 starting point for the CET calculation is something  
9 like \$225 million and change, 224, \$225 million, is  
10 my memory. Is there information in the record that  
11 would tell us how that number was derived?

12 MR. MCKAY: Yes.

13 COMMISSIONER BOYER: That's already in the  
14 record?

15 MR. MCKAY: Yes. That's part of the  
16 testimony.

17 COMMISSIONER BOYER: Okay. On the data  
18 sources, the tariff data sources, what will be the  
19 source for the actual number of GS1 and GSS customers  
20 and their respective DNG revenue for purposes of this  
21 CET?

22 MR. MCKAY: Thank you on that last part.  
23 I wanted to make sure I understood where you were  
24 headed with it.

25 The sources, as we move forward in the  
26

1 simple accounting calculation related to the CET will  
2 be what's the allowed revenue per customer per month,  
3 which is a part of the attached tariff sheets in the  
4 Stipulation, which ties to the 225 that you have just  
5 talked about. So that's the identified allowed  
6 revenue per customer. And then we will be applying  
7 that to actual number of customers that are billed  
8 each month. We will then compare that allowed  
9 revenue with what is actually billed to customers  
10 with our basic service fee involving metric rates.  
11 It's the difference between those two calculations  
12 that creates an accrual, either positively or  
13 negatively or debit or credit, whichever background  
14 you would like to refer to it from, and that is made  
15 into the account. Through the first six months of  
16 this year we had calculated that and have that as a  
17 credit balance, if you will, of \$1.1 million, which  
18 would be that that is what we're proposing to  
19 amortize in a rate reduction back to customers with  
20 our fall pass-through filing.

21 COMMISSIONER BOYER: Does the Stipulation  
22 contemplate, permit or prohibit changes in the DNG  
23 revenue per customer in the event of system  
24 expansion, for example?

25 MR. MCKAY: I would think the CET would --

26

1 let me answer that question this way. The way that  
2 the allowed revenue per customer would change going  
3 forward would be in a general rate case. If we  
4 expand our system to the five houses that are down  
5 the street that are being built up by me, that  
6 allowed revenue per customer would stay as is and  
7 would be used as what's proposed now in the current  
8 tariff sheets.

9 COMMISSIONER BOYER: So if there were  
10 major system upgrades, that would be the subject of a  
11 rate case that would be brought before us?

12 MR. MCKAY: If there were major service  
13 upgrades where dollars were spent and we were  
14 concerned about the earnings level we would come  
15 before you. In fact, it hasn't specifically been  
16 brought out here, but no party is prohibited from  
17 either having a review or show cause order, or from  
18 the Company's perspective to come in and file for a  
19 general rate case during the period of this pilot  
20 program.

21 COMMISSIONER BOYER: Commissioner Campbell  
22 asked a question about either county by county or  
23 regional --

24 COMMISSIONER CAMPBELL: Commissioner  
25 Allen.

26



1                   COMMISSIONER BOYER:  What did I say?  Not  
2   the Chairman, but Commissioner Allen talked about  
3   collection of data on a county by county or region.  
4   Would that be an appropriate way to collect data?  
5   It strikes me that there may be differences because  
6   of climate or growth in various areas of the state.

7                   MR. MCKAY:  I think we would be able to do  
8   that, depending on the program, again.  We obviously  
9   could also report back where we've been able to go  
10  into schools or been able to do audits.  All these  
11  are in anticipation of what's been talked about this  
12  last week as far as the programs that we'll be  
13  proposing.  But yes, I think that that could be --

14                  COMMISSIONER BOYER:  Does the Company  
15  currently collect that data?  For example, if I asked  
16  for records of customer usage on a county-by-county  
17  basis for the last several years, could that be  
18  provided?

19                  MR. MCKAY:  I'm looking over my shoulder  
20  and see which guy's faces turned white.

21                  COMMISSIONER BOYER:  Or a regional basis?  
22  Let's make it easier.

23                  MR. MCKAY:  We currently have not broken  
24  it out that way.  I think with our new system we may  
25  be able to do that geographically.  What I'm hearing

26

1 is that there's interest in finding out the  
2 participation levels that we do with our DSM programs  
3 and we have averaged our class together. We have not  
4 specifically identified all these by regional areas.  
5 We have a feel for what the customer uses down in  
6 Washington County versus Weber County or Summit  
7 County, but we haven't specifically had that as  
8 retrievable data within minutes, but it is in our  
9 system now. In being able to go forward we did not  
10 accumulate that into those county summary accounts in  
11 the past.

12 COMMISSIONER BOYER: Kind of my last area  
13 of questioning. There are references in the  
14 Stipulation to DSM-related expenses and I'm wondering  
15 how the Company defines those expenses, whether or  
16 not they include the costs of bringing this  
17 proceeding, how they're accounted for.

18 MR. MCKAY: I don't think they had  
19 anticipated it being the cost of bringing this  
20 proceeding. But I do think that the DSM-related  
21 costs, from my understanding in talking to another  
22 utility that has programs in this state, deal with  
23 those that are working full-time within their staff  
24 on DSM. Those that may need to do the administration  
25 of that within their company, as well as the costs

26

1 that they incur in hiring outside firms to run their  
2 program as well as the actual rebates or refunds  
3 depending on whatever the program is. So it would be  
4 those related costs from the time the Commission puts  
5 forth approval of the Stipulation.

6 COMMISSIONER BOYER: And the posting of  
7 those amounts would be in the sole discretion of the  
8 Company?

9 MR. MCKAY: The posting of accounts would  
10 be according to generally accepted accounting  
11 principles. And I would anticipate that any parties  
12 of interest could come and review and audit those and  
13 they should feel free to be able to do that to make  
14 sure that we're doing it in accordance with what the  
15 Commission has ordered and according to generally  
16 accepted accounting principles.

17 COMMISSIONER BOYER: And that might even  
18 come up in the one-year review?

19 MR. MCKAY: Sure.

20 COMMISSIONER BOYER: Or reviews were this  
21 to be approved?

22 MR. MCKAY: Yes.

23 COMMISSIONER BOYER: Thank you.

24 COMMISSIONER CAMPBELL: Perhaps I have a  
25 few questions as well. And let me, like my fellow  
26

1 Commissioners, put these in context. I want to  
2 explore a little bit the support that you've cited  
3 that the Governor's energy policy is to remove  
4 barriers to energy efficiency, and I think this  
5 Commission has a history of being proactive and  
6 supportive of the DSM programs. If you look at our  
7 power company they are, I think, considered a leader  
8 and we've certainly been supportive of those type of  
9 programs.

10 As we talk about removing barriers, let me  
11 begin by asking, do you agree that this is not the  
12 only way that barriers to DSM could be removed?

13 MR. MCKAY: I agree.

14 COMMISSIONER CAMPBELL: And as I have been  
15 around a little while and as I have followed  
16 conversations up at the Legislature, I think I even  
17 remember this Company, your Company making  
18 presentations of forecast test year. That a forecast  
19 test year would assist you in your declining usage  
20 per customer problem, and we spent years, I think,  
21 having that discussion and listening to that  
22 discussion. And I guess I just would like a little  
23 more explanation as to why the Company moved away  
24 from that. We spent years working towards that, it  
25 was put into place in the statute, and as far as I  
26

1 know, the Company has never come forward and said,  
2 "Okay, we want to fully forecast the test year to  
3 deal with this declining usage per customer and let's  
4 see how that works that we've spent years working on  
5 that mechanism and now the Company has moved to  
6 another mechanism to deal with this issue?" Can you  
7 just provide kind of the rationale of why you moved  
8 off the forecast test year approach and moved to a  
9 revenue decoupling approach?

10 MR. MCKAY: Sure. We have -- let's start  
11 with the recognition that there was at least six  
12 different alternatives that were laid out with the  
13 working group and task forces on trying to solve an  
14 issue of declining usage as well as removing barriers  
15 to actively pursue DSM programs. And during the  
16 nearly now four-year process we would say, "Hey, what  
17 options should we go down that we can create a  
18 collaborative?"

19 We truly -- and you can enjoy these  
20 processes, I'll say I've enjoyed the process in going  
21 through the discussions and analyzing rather  
22 in-depthly all of these different alternatives. And  
23 the forecasted test year was focused on a revenue  
24 stabilization, it was focused on a straight fixed  
25 variable rate design, it was focused on as well

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1 decoupling, that's three or four. And I should point  
2 out very clearly on the record that the forecasted  
3 test year was observed with its positives and  
4 negatives to being able to -- or advantages and  
5 disadvantages of being able to solve this issue  
6 specifically.

7           The Company is still very much supportive  
8 of that. In fact, during this three-year pilot  
9 program, if we see the need to file a general rate  
10 case, you will see us file a forecasted test year.  
11 The reason that we began to move away from that is  
12 probably better explained by Mr. Cavanagh's  
13 testimony, but also is things that we worked with in  
14 our group, and that is this. With the forecasted  
15 test year, and once it goes before the Commission and  
16 we mete it all out and it's decided whatever the  
17 forecasted sales are going to be and expenses and  
18 everything and then it's all said and done and then  
19 we go back to see how actuals will turn out, every  
20 time the Company goes out and encourages somebody to  
21 use less gas under the current rate design than what  
22 may have been anticipated, or just plain period  
23 doesn't even worry about what was forecasted, we  
24 collect less non-gas revenue. The decoupling and  
25 breaking apart those two truly takes away that  
26

1 barrier.

2 In other words, you have the forecast out  
3 there and even if I were to forecast declining sales,  
4 the way for me as a company to be able to have higher  
5 income is to not aggressively tell people not to  
6 reduce their sales if that's the only mechanism that  
7 we're using. With the decoupling, I can go out there  
8 and genuinely tell them, "Hey, we need to reduce your  
9 usage." And that's basically the biggest  
10 disadvantage that we saw with that. But it certainly  
11 is one of the alternatives we looked at and could be  
12 championed by a party in the future.

13 COMMISSIONER CAMPBELL: Let me ask you  
14 questions about Commission authority because clearly  
15 the parties to the Stipulation were concerned about  
16 that. And maybe I should start with the first  
17 question is, is what did you mean when you said "no  
18 party opposes"? I heard Mr. Evans talk about filing  
19 some sort of legal position down the road. And so if  
20 we are to go ahead and approve the Stipulation and  
21 then a month from now get some sort of legal brief  
22 opposing our ability to do that, what does that mean?

23 MS. BELL: I think maybe I would like to  
24 answer that question, Chair.

25 COMMISSIONER CAMPBELL: Go ahead.

26

1 MS. BELL: I think what was contemplated  
2 was that Mr. Evans or any other entity or party that  
3 has not signed the Stipulation has not waived any  
4 legal defenses or arguments that they may want to  
5 make with regard to the Conservation Enabling Tariff  
6 proposal. However, those who have signed the  
7 Stipulation have agreed in good faith that they would  
8 like to see this go forward on a trial basis and at  
9 the one-year review period have determined that they  
10 will not raise such arguments when, in fact, those  
11 arguments exist so that this can go forward.

12 After three years, after this pilot  
13 program has been in effect for three years, any party  
14 can raise any challenge or make any suggestion to the  
15 Commission with regard to its pilot program.

16 COMMISSIONER CAMPBELL: Let me ask it this  
17 way. I mean, clearly our statute under just and  
18 reasonable includes means of encouraging conservation  
19 and resources and energy, yet it seems that there  
20 still is -- some might be uncomfortable with the  
21 general nature of that statement. I guess the  
22 question is, do the parties or have the parties  
23 considered legislation to make it more clear that  
24 this Commission has this sort of authority?

25 MR. MCKAY: I don't know if we've  
26



1 specifically discussed that in working groups, but  
2 I'll observe that it may have crossed some of our  
3 minds.

4 MS. BELL: Certainly, the Company believes  
5 you have ample authority and that that language in  
6 the statute on just and reasonable rates would allow  
7 you to do this. Other parties may have a differing  
8 view.

9 COMMISSIONER CAMPBELL: All right.

10 MR. WARNICK: Mr. Chairman, just maybe  
11 perhaps to make one quick correction. I think Ms.  
12 Larkin said the parties were bound for a three-year  
13 period from challenging. I think we read the  
14 Stipulation that we couldn't challenge it at the  
15 one-year review, but after the one-year review and  
16 for the remaining two years that challenge would be  
17 impermissible.

18 COMMISSIONER CAMPBELL: Do you agree with  
19 that?

20 MS. BELL: That's correct.

21 MR. WARNICK: Not that we intend to do so.

22 COMMISSIONER CAMPBELL: All right. Is  
23 there any redirect?

24 MS. BELL: No.

25 COMMISSIONER CAMPBELL: All right. We're  
26

1 going to take about a five-minute recess. We would  
2 like to continue this hearing probably until about  
3 12:30 this morning so it will give us another hour.  
4 Let's take a short recess.

5 (Recess taken.)

6 COMMISSIONER CAMPBELL: Let's go back on  
7 the record. Mr. McKay, we do have one more question  
8 for you more in terms of a detail question, perhaps a  
9 housekeeping question.

10 In your SR Exhibit 1.10, would you please  
11 identify where the \$225,007,256 number comes from?  
12 We're trying to understand if that came from a  
13 year-end filing? We just don't know where your  
14 starting point is.

15 MR. MCKAY: Okay. Let me get to that  
16 exhibit.

17 COMMISSIONER CAMPBELL: SR 1.10. We  
18 understand your written testimony related to this  
19 exhibit where you have kept the GSS rate separate  
20 from the GS1 rate and so forth. We just want to be  
21 able to identify for the record the source of that  
22 number and what's behind this original calculation  
23 per customer.

24 MR. MCKAY: I just want to check with one  
25 other exhibit.

26

1                   COMMISSIONER CAMPBELL: In fact, we can  
2 come back to you. Why don't we do that and give you  
3 a chance to look through that. We just wanted to  
4 have the source on the record.

5                   MR. MCKAY: Yes, I will do that.

6                   COMMISSIONER CAMPBELL: All right. Ms.  
7 Bell, Mr. Cavanagh is on the phone now.

8                   MS. BELL: Yes. And I believe he has not  
9 been sworn in this docket.

10                  COMMISSIONER CAMPBELL: Mr. Cavanagh,  
11 would you please raise your right arm to the square?

12                  MR. CAVANAGH: Yes.

13                  COMMISSIONER CAMPBELL: Do you swear that  
14 the testimony you're about to give in this proceeding  
15 is the truth, the whole truth and nothing but the  
16 truth, so help you God?

17                  MR. CAVANAGH: Yes, I do.

18                  COMMISSIONER CAMPBELL: Thank you.

19                  Ms. Bell?

20                                 RALPH CAVANAGH,

21                                 called as a witness, was

22                                 examined and testified as follows:

23 /

24                                 DIRECT EXAMINATION

25 BY MS. BELL:

26

1 Q. Mr. Cavanagh, would you please state your  
2 name and business address for the record?

3 A. My name is Ralph Cavanagh. My address is  
4 Care Of NRDC, 111 Sutter Street, San Francisco,  
5 California, 94104.

6 Q. Are you the same Ralph Cavanagh who filed  
7 Rebuttal Testimony in this docket on August 14, 2006?

8 A. Yes.

9 Q. Do you have any corrections to your  
10 testimony?

11 A. No.

12 MS. BELL: Mr. Cavanagh is now available  
13 for questions.

14 COMMISSIONER CAMPBELL: All right. Thank  
15 you.

16 I think at this -- well, why don't we go  
17 to him first. He's still a Company witness, but he's  
18 not testifying necessarily in support of this  
19 Stipulation, right?

20 MS. BELL: Mr. Cavanagh, let me clarify  
21 that for Chairman Campbell.

22 Q. (BY MS. BELL) On whose behalf are you  
23 testifying?

24 A. I'm testifying for Questar Gas Company.

25 COMMISSIONER CAMPBELL: All right. Are  
26

1       there any questions for Mr. Cavanagh?

2                   MS. SCHMID:  None for the Division.

3                   MR. WARNICK:  None from the Committee.

4                   MR. DODGE:  I do have one short line of  
5       questioning, Mr. Chairman.

6                   COMMISSIONER CAMPBELL:  Mr. Dodge is going  
7       to ask you some questions, Mr. Cavanagh.

8                                   CROSS-EXAMINATION

9       BY MR. DODGE:

10           Q.       Mr. Cavanagh, I'm Gary Dodge representing  
11       UAE, and I want to clarify a Q and A exchange in your  
12       testimony relating to Mr. Higgins, the UAE witness.

13           A.       Sure.

14           Q.       And if you would look on page 26 beginning  
15       at line 657 of your testimony.

16           A.       That's page 26 of my testimony?

17           Q.       Correct.  And beginning on line 657.

18           A.       Yes, I see it.

19           Q.       The question indicates, asks whether you  
20       agree with Mr. Higgins that decoupling represents a  
21       fundamental and unwarranted change in ratemaking.  
22       And this is the part I want to focus on because it  
23       makes the non-fuel portion of base rates variable.  
24       Your answer was, I think he's got it backwards here.  
25       "The non-fuel base rates is effectively verifiable

26

1 without decoupling," and you go on to explain it.

2 I want to understand what you thought Mr.  
3 Higgins meant by rates, base rates. Did you  
4 understand Mr. Higgins to be talking about base rates  
5 that the customer pays or revenue that the Company  
6 collects as a result of base rates?

7 A. And I think to -- I think this is a useful  
8 clarification. I hope the answer makes clear and in  
9 context I'm talking about the non-fuel revenues that  
10 the Company receives and not the rate itself.

11 Q. Okay. So your answer was that the  
12 non-fuel revenue from the Company is variable, but  
13 you agree with Mr. Higgins that currently the  
14 non-fuel portion of base rates paid by customers is  
15 not variable between rate cases and the decoupling  
16 will make it variable; is that correct?

17 A. That's correct.

18 MR. DODGE: Thank you. That's all I have.

19 COMMISSIONER CAMPBELL: Mr. Evans?

20 MR. EVANS: I just have one question, one  
21 or two if I may.

22 CROSS-EXAMINATION

23 BY MR. EVANS:

24 Q. Mr. Cavanagh, this is Mr. Evans for the  
25 Industrial Gas Users. Good morning.

26

1 A. Good morning.

2 Q. I just have a question for you about your  
3 appearance as an expert in this docket. You're  
4 appearing on behalf of Questar; is that correct?

5 A. Yes, it is.

6 Q. And is Questar paying your expert witness  
7 fees?

8 A. No. I am not being compensated for this  
9 testimony.

10 Q. It's free?

11 A. It is free.

12 Q. And who pays --

13 A. But I hope the Commission will not view  
14 that as a diminution of its worth.

15 Q. Who pays your expenses when you come to  
16 Salt Lake City?

17 A. When I come to Salt Lake City my expenses  
18 are paid by NRDC, my employer.

19 Q. And so are you drawing a salary from the  
20 NRDC for this work?

21 A. I draw a salary from NRDC. It doesn't  
22 inquire day to day as to what I'm doing.

23 Q. I see. And how is NRDC funded?

24 A. NRDC is funded from a whole host of  
25 services. We have individual members who pay dues,

26

1 more than 3,000 of whom live in Utah. And then we  
2 also receive some funds from philanthropies like  
3 foundations.

4 Q. Have you identified in the record who  
5 these Utah sources of funding might be?

6 A. Well, we have more than 3,000 individual  
7 members in Utah. I don't know their names and  
8 addresses. We just -- we keep a count by state.

9 Q. I see. Thank you. No more questions.

10 COMMISSIONER CAMPBELL: Any other  
11 questions for Mr. Cavanagh? All right. Thank you  
12 for your appearance.

13 MR. CAVANAGH: Thank you.

14 COMMISSIONER CAMPBELL: Let's go to the  
15 Division of Public Utilities. Ms. Schmid.

16 MS. BELL: Chairman Campbell, Howard  
17 Geller is also on the phone and he's under a little  
18 bit of a tight schedule this morning. I'm wondering  
19 if we can break and see if anyone has any questions  
20 for him.

21 COMMISSIONER CAMPBELL: That's a great  
22 suggestion. Any questions for Mr. Geller?

23 MS. SCHMID: None from the Division.

24 MR. WARNICK: None from the Committee.

25 MR. DODGE: No questions.

26



1 MR. EVANS: No questions.

2 MR. BALL: No questions.

3 COMMISSIONER CAMPBELL: All right. It  
4 looks like you're free to go as well, Mr. Geller.

5 MR. GELLER: Thank you very much.

6 COMMISSIONER CAMPBELL: Ms. Schmid.

7 ARTIE POWELL,  
8 called as a witness, was examined and testified as  
9 follows:

10 DIRECT EXAMINATION

11 BY MS. SCHMID:

12 Q. Good morning, Dr. Powell. Are you the  
13 same Dr. Powell that prepared DPU Exhibits 1.0, 1.0SR  
14 and 1.0ST that were admitted earlier this morning?

15 A. Yes.

16 Q. Do you have a summary statement that you  
17 would like to present in support of the Stipulation?

18 A. Yes, just a few points.

19 Q. Please proceed.

20 A. The Division has filed extensive testimony  
21 in these proceedings in support of the Joint  
22 Application. We believe that the Stipulation that  
23 has been entered into, as I have testified or argued  
24 in my testimony in support of the Stipulation is  
25 consistent with the Joint Application. Among other

26

1 things, the Stipulation gives parties time to fully  
2 develop alternatives if they wish and present those  
3 to the Commission during a one-year review that has  
4 been discussed morning. In the meantime, the Utah  
5 customers will benefit from the Company pursuing DSM  
6 programs aggressively. It aligns the interests of  
7 the Company and customers, and I think provides for  
8 some -- is a reasonable settlement of the issues that  
9 are involved in this case at this point in time.

10 We believe that the Stipulation is in the  
11 public interest and will result in just and  
12 reasonable rates.

13 That would conclude my summary at this  
14 point.

15 MS. SCHMID: Thank you. Dr. Powell is now  
16 available for cross-examination.

17 COMMISSIONER CAMPBELL: Any questions?

18 MR. WARNICK: The Committee has no  
19 questions at this time.

20 MS. BELL: No questions.

21 MR. DODGE: No questions.

22 COMMISSIONER CAMPBELL: Mr. Evans?

23 MR. EVANS: Just a couple of questions,  
24 Mr. Chairman.

25 COMMISSIONER CAMPBELL: Go ahead.

26

1 CROSS-EXAMINATION

2 BY MR. EVANS:

3 Q. Good morning, Mr. Powell.

4 A. Good morning.

5 COMMISSIONER CAMPBELL: Mr. Evans, is your  
6 microphone on?

7 MR. EVANS: Well, it is, but it's --

8 COMMISSIONER CAMPBELL: Can you bring it  
9 closer to your mouth, please?

10 MR. EVANS: How is that?

11 COMMISSIONER CAMPBELL: Better.

12 Q. (BY MR. EVANS) Dr. Powell, were you in  
13 the hearing room when I asked questions of Mr. McKay?

14 A. Yes.

15 Q. I'm going to kind of ask you the same line  
16 of questions about what the Division's understanding  
17 is about the rights of the parties in the one-year  
18 review.

19 First let me ask you, let me start by  
20 looking at a statement, a couple of statements you've  
21 made in your testimony. I'm on page 5 at line 99.

22 A. Is this the --

23 Q. This is the Testimony in Support of the  
24 Stipulation. I'm sorry.

25 A. Hang on one second. Okay. I'm there.

26

1           Q.     In it you state that "The Stipulation  
2 allows intervenors more time to fully develop  
3 alternatives to the proposed CET"; do you see that?

4           A.     Yes.

5           Q.     Is there any other advantage for running  
6 this one-year trial period other than allowing  
7 intervenors time to develop alternatives? In other  
8 words, is there going to be development of the CET  
9 during this year?

10          A.     I'm not sure what you mean by  
11 "development."

12          Q.     Well, fine-tuning of the way it operates,  
13 maybe, about what the assumptions that the Division  
14 has made. As of today, you're going to have a whole  
15 year to put this into practice. Will there be  
16 adjustments, do you think, in the way --

17          A.     During the year itself?

18          Q.     Yes.

19          A.     No, I don't think there will be  
20 adjustments. Given the Stipulation, we've agreed to  
21 let the CET go forward as it was developed or  
22 presented in the Joint Application.

23          Q.     So the Division doesn't intend to adjust  
24 its position in any way over the next year; is that  
25 what I'm hearing?

26

1           A.     I don't know if we will adjust. We will  
2 analyze the data that's available for the CET that  
3 Mr. McKay was talking about a little bit earlier this  
4 morning. I think we will be auditing the books to  
5 perform our quarterly reports that were talked about.  
6 We've also proposed, I believe it was in my Direct  
7 Testimony, I may have talked a little bit about it in  
8 my Surrebuttal Testimony too, that we would audit  
9 different accounts randomly to make sure that the CET  
10 was operating the way it was intended to operate.  
11 And depending upon the outcome of those reports we  
12 may adjust our position. But I can't say whether or  
13 not we will or won't in advance.

14           Q.     Well, I understand that. But in your  
15 view, is the Division free to adjust its position  
16 based on the data that comes in over the next year?

17           A.     Yes.

18           Q.     Is it also your understanding that any  
19 legal argument about the lawfulness of the tariff or  
20 the jurisdiction of the Commission to approve it will  
21 be able to be raised one year from now in that  
22 one-year review?

23           A.     By other parties other than those to the  
24 Stipulation?

25           Q.     Yes.

26

1 A. Yes.

2 Q. But the Division would not be able to.

3 That's your view, right?

4 A. Yes.

5 Q. Do you know what those arguments are?

6 A. In general. Very general.

7 Q. But they have not been filed and no one

8 has really argued that to this point, have they?

9 A. No.

10 Q. So not knowing what they are, yet the

11 Division has taken a position that forecloses them

12 from agreeing with any of those arguments; am I

13 correct?

14 A. Clarify the timing.

15 Q. At any time before or during the one-year

16 review.

17 A. I believe that's correct.

18 Q. Back to your testimony. Let me ask you a

19 question on the same page of your testimony in

20 support of the Stipulation in 5. It's at line 87.

21 The question asked there is: "Isn't the CET tariff a

22 radical departure from traditional regulatory

23 practices and thus cannot be construed as being in

24 the public interest?" And your response is, "Not at

25 all." Do you see that?

26

1 A. Yes.

2 Q. And then you say that, I'm skipping down  
3 and paraphrasing, but the CET is similar in its  
4 operation as a high fixed customer charge. Customer  
5 charges are nothing new and, therefore, the CET is  
6 not a radical departure. Have I read that right?

7 A. Correct.

8 Q. Well, are you saying that revenue  
9 decoupling is the same as a high fixed customer  
10 charge?

11 A. I'm not saying it's the same, I'm saying  
12 that they have similar outcomes, that they recover  
13 the Commission-allowed costs.

14 Q. Through a different mechanism, though,  
15 correct?

16 A. Through a different mechanism than what we  
17 currently do with a smaller fixed charge and a DNG  
18 rate, yes.

19 Q. So even though the end result may be the  
20 same, the mechanism to get us there is different,  
21 isn't it?

22 A. Is different, yes.

23 MR. EVANS: I have no more questions.

24 Thank you.

25 COMMISSIONER CAMPBELL: All right. Mr.

26

1 Ball?

2 MR. BALL: Thank you, Mr. Chairman.

3 CROSS-EXAMINATION

4 BY MR. BALL:

5 Q. Hello, Dr. Powell.

6 A. Good morning.

7 Q. You were here, I think, weren't you, when  
8 I was asking one or two questions of Mr. McKay  
9 earlier on?

10 A. Yes.

11 Q. Was there anything about any of the  
12 answers to my questions that he gave that gave you  
13 any pause or concern on the Division's behalf?

14 A. No, I don't believe so.

15 Q. Okay. If I were to suggest to you that  
16 the Commission could perhaps modify paragraph 16  
17 slightly to --

18 MS. SCHMID: Pardon me? Paragraph 16 of  
19 the --

20 MR. BALL: Oh, pardon me. Of the  
21 Stipulation, Ms. Schmid. Thank you.

22 Q. (BY MR. BALL) To clarify the use of the  
23 word "party" or "parties" throughout the document by,  
24 for example, instead of talking about, as it does at  
25 the moment, for purposes of the -- this is in

26



1 paragraph 16, "For purposes of the portions of this  
2 Stipulation dealing with the rights of the parties  
3 during the pilot period and one-year review." If it  
4 were to refer, for example, to paragraph 15 of the  
5 Stipulation and thereafter, would the Division, do  
6 you think, have any problem with that?

7 A. To be honest, I'm not sure what you're  
8 asking me. You mentioned --

9 Q. Would you like me to try again?

10 A. Yes. You mentioned something throughout  
11 the document and then a reference to 16 and then 15  
12 thereafter. I'm not sure what the question is.

13 Q. Okay. In paragraph 16, I believe it's the  
14 fourth sentence, it begins, "For purposes of the  
15 portions of this Stipulation dealing with the rights  
16 of the parties during the pilot period and one-year  
17 review." Rather than saying that, if it said, "In  
18 paragraph 15 of this Stipulation and thereafter" and  
19 then continues, "the term party or parties shall  
20 refer to," would that give the Division any  
21 difficulty, do you think?

22 MS. SCHMID: If he can answer. He may  
23 have to look at the specific references.

24 COMMISSIONER CAMPBELL: Can't you just  
25 stipulate that the word "parties" in the third line

26

1 up on paragraph 15 is not dealing with just the  
2 parties to this stipulation?

3 MR. BALL: If I may, Chairman, the problem  
4 is throughout paragraph 15.

5 COMMISSIONER CAMPBELL: So it isn't just  
6 that last one? I understand Mr. Ball's concern that  
7 up to this point the word "Parties," capitalized,  
8 refers just to the parties to the Stipulation. And  
9 as a party to this docket he would like notice of  
10 future meetings. So I think without going through a  
11 time-consuming effort, I think we can get to the  
12 heart of your issue, Mr. Ball, and make sure that you  
13 receive notice.

14 MR. BALL: Yeah. And again, Chairman, as  
15 I have looked more at this since my earlier  
16 intervention, it's not just about giving notice. For  
17 example, at the beginning of paragraph 15 there's  
18 talk about data being made available by the Company.  
19 There's talk about discovery requests. There's a  
20 whole bunch of issues in 15 that I really suggest  
21 ought not to be closed off to folks other than the  
22 parties to the Stipulation.

23 MR. POWELL: I have a concern with Mr.  
24 Ball's question. I don't -- well, I'm still not  
25 clear. He's referring to paragraph 15 and I think he

26

1 means to limit his question to paragraph 15, but he  
2 used the phrase "paragraph 15 and thereafter." And  
3 I'm not sure if he's referring to, for example,  
4 paragraph 18 where "parties" may we used again. I  
5 would need to review the rest of the Stipulation or  
6 clarify his question, one or the other.

7 COMMISSIONER CAMPBELL: I'll let  
8 Commissioner Boyer ask a question.

9 COMMISSIONER BOYER: I understand Mr.  
10 Ball's concern here and the use of "parties" because  
11 "Parties" is a defined term, and in the Stipulation  
12 it refers to the parties as the four signatories to  
13 the Stipulation. But would another and more simple  
14 way to resolve this issue be to simply understand  
15 that the Stipulation binds only those parties to it  
16 and anyone else involved in the docket is not bound  
17 thereby? That's my understanding of it.

18 MS. SCHMID: That's my understanding of  
19 how the Stipulation works as well.

20 MR. BALL: I'm not sure that that would  
21 necessarily be the effect, Commissioner Boyer. It  
22 appears that the language of the Stipulation is  
23 actually binding the parties to the Stipulation to,  
24 in fact, grant certain courtesies to others who are  
25 parties to this docket but not to the Stipulation.

26

1                   It may be that the simplest answer, quite  
2 frankly, would be for somebody to go through the  
3 whole thing and change "parties" referring to the  
4 "parties" to the Stipulation to another word, for  
5 example, stipulants, leaving the word "party" or  
6 "parties" to refer to the broader group that are  
7 involved in the entire docket.

8                   COMMISSIONER CAMPBELL: We're going to  
9 have a recess over the lunch hour before public  
10 witness day and I would encourage the parties to the  
11 Stipulation to meet with Mr. Ball and make sure that  
12 it's clear what provisions apply to what. Perhaps  
13 that will save us some time in questioning. Back to  
14 you, Mr. Ball.

15                   MR. BALL: That will be all. Thank you  
16 very much, Chairman.

17                   COMMISSIONER CAMPBELL: Thank you.

18                   COMMISSIONER ALLEN: Dr. Powell, this  
19 relates to my question of the Company also. In  
20 analyzing data as you prepare for the one-year  
21 review, do you plan to review as much as practical  
22 the preexisting trend claim revenue, price shocks or  
23 other non-CET influences in order to isolate the  
24 success of this program?

25                   DR. POWELL: That would be the intent of  
26

1 developing alternatives. Under the CET it's  
2 specifically designed that you don't have to separate  
3 those effects. But under some of the alternatives  
4 that have been discussed in testimony, that would  
5 have to be explicit. You would have to separate  
6 those effects out from one another.

7 COMMISSIONER ALLEN: Thank you.

8 COMMISSIONER CAMPBELL: Commissioner  
9 Boyer?

10 COMMISSIONER BOYER: A follow-up question  
11 for Dr. Powell. Is it the intention of the parties  
12 to measure conservation attributable to these DSM  
13 projects that are going to be funded through the CET  
14 should the Stipulation be approved? Are we going to  
15 look at that nexus?

16 MR. POWELL: When the programs through the  
17 DSM Advisory Group are being developed and the  
18 Company is obligated to file the program with the  
19 Commission within 60 days, that filing will include  
20 those typical measures that do measure those effects  
21 or savings that go on, the RIM test, the utility test  
22 cost. There's four of them. I can't remember the  
23 names of the other two off the top of my head. All  
24 of that information will be presented to the  
25 Commission. The intent is that the Commission then  
26

1 will decide which of those measures they think is the  
2 most appropriate. I'm sure parties will comment on  
3 that. And then they, the Commission will have to  
4 make a decision at that time how to adopt the  
5 program, in its entirety or with modifications or  
6 reject it and tell the Company to back to the drawing  
7 board.

8 COMMISSIONER BOYER: You have the  
9 advantage of me in that you have a Ph.D. in economics  
10 and I took Econ 101. But are there theoretical  
11 methods by which you can isolate these variables?  
12 Commissioner Allen is concerned about, and I was as  
13 well, of regression theory or something like that,  
14 that might be affect those variables?

15 MR. POWELL: In theory, yes, there are.

16 COMMISSIONER BOYER: It's theoretically  
17 possible?

18 DR. POWELL: It is theoretically possible.  
19 You realize the difference between theory and  
20 practice.

21 COMMISSIONER CAMPBELL: Okay. And do you  
22 think that such methods would be uncontroverted?

23 DR. POWELL: No, I don't.

24 COMMISSIONER CAMPBELL: Thank you.

25 MS. SCHMID: Pardon me, Dr. Powell.

26

1                   COMMISSIONER CAMPBELL: Do you have  
2     redirect?

3                   MS. SCHMID: I have one redirect.

4                   REDIRECT EXAMINATION

5     BY MS. SCHMID:

6                   Q.     Dr. Powell, without going into anything  
7     that would be privileged such as attorney-client  
8     discussions and things like that, in the context of  
9     this exercise, are you familiar with the general  
10    jurisdiction provisions of the Commission and its  
11    broad powers?

12                  A.     Yes.

13                  Q.     So perhaps to refine your -- Mr. Evans  
14    asked about not knowing all arguments with regard to  
15    legal challenges that could be raised to the  
16    Stipulation. But is it your belief that Section  
17    54-4-1 and other provisions provide the Commission  
18    with broad power sufficient to allow them to enact  
19    the Stipulation?

20                  A.     Yes, I believe so.

21                  MS. SCHMID: Thank you.

22                  COMMISSIONER CAMPBELL: Okay. Mr.  
23    Warnick.

24                  MR. WARNICK: Thank you, Mr. Chairman.

25                               ERIC ORTON,

26

1                   called as a witness, was examined

2                   and testified as follows:

3                   FURTHER DIRECT EXAMINATION

4           BY MR. WARNICK:

5           Q.        Mr. Orton, we previously in this  
6           proceeding have submitted to the record your  
7           Stipulation Testimony dated September 25, 2006  
8           providing the Committee's policy view supporting the  
9           Stipulation. Do you have any short summary statement  
10          you would like to make at this time with regards to  
11          that testimony?

12          A.       Well, one of the reasons I made that seven  
13          pages was so it would be a summary. But maybe I  
14          should mention a few things.

15                   One is that there are three critical  
16          issues that the Committee found important in this  
17          Stipulation, and I want to go over those if I can.

18                   One is the quick implementation of DSM  
19          programs. The second is a laboratory for the year  
20          period to see how well CET works or doesn't work, and  
21          the third one was a cap on the exposure for GS1  
22          ratepayers. Those are three areas that were critical  
23          to the Committee. So with those in the Stipulation  
24          the Committee supported the signing of that  
25          Stipulation and felt it was in the public interest.

26



1 Q. Thank you.

2 We make Mr. Orton, and I might mention as  
3 well that Dr. Dismukes is on the phone, and they are  
4 both available for questions.

5 COMMISSIONER CAMPBELL: All right. Any  
6 questions? Ms. Schmid?

7 MS. SCHMID: No questions for the  
8 Division.

9 COMMISSIONER CAMPBELL: Any questions from  
10 the Company?

11 MS. BELL: No questions.

12 COMMISSIONER CAMPBELL: Mr. Evans?

13 MR. EVANS: I have to ask one or two. Mr.  
14 Chairman.

15 COMMISSIONER CAMPBELL: Go ahead.

16 CROSS-EXAMINATION

17 BY MR. EVANS:

18 Q. Good morning, Mr. Orton.

19 A. Hello.

20 Q. You were in the hearing room when I  
21 questioned Mr. McKay and Dr. Powell?

22 A. I was.

23 Q. So I'm going to ask you the same kind of  
24 questions, I guess. Is it your view that one year  
25 from now that the Commission can review the merits of  
26

1 the CET?

2 A. Yes, they should.

3 Q. And they should review it to see whether  
4 it's achieved its intended purpose and whether it  
5 produces a just and reasonable rate; is that your  
6 view?

7 A. I think that they should look at  
8 everything they can, yes.

9 Q. Now, I noticed that the Committee, which  
10 was -- has also agreed to waive any argument about  
11 the legality of this tariff for the first year  
12 period; is that correct?

13 A. That's right.

14 Q. Why did the Committee agree to do that?

15 A. I think -- I can't speak for all of them,  
16 but it would seem to me that it's reasonable to allow  
17 for a time period to test for that, the laboratory,  
18 we call it, the one year. So we gave that right up  
19 for a year to see if it would really work, to see how  
20 the CET functions.

21 Q. So by joining in the Stipulation, is the  
22 Committee making some statement about whether it  
23 believes the CET is lawful or within the jurisdiction  
24 of the Commission to approve?

25 A. I don't think we looked at that, we  
26

1 addressed that.

2 Q. You're reserving that until next year?

3 A. That's right.

4 MR. EVANS: No further questions. Thank  
5 you.

6 COMMISSIONER CAMPBELL: Mr. Ball?

7 MR. BALL: No.

8 COMMISSIONER CAMPBELL: I just have one  
9 question on page 5 of your testimony, line 109. And  
10 while I appreciate your desire to relieve the  
11 Commission of a burden, let me ask you this. Has the  
12 Commission ever provided any indication that it is  
13 not able and willing and capable of litigating any  
14 issue before it?

15 MR. ORTON: If that's what was implied,  
16 that's not what was meant.

17 COMMISSIONER CAMPBELL: So what did you  
18 mean?

19 MR. ORTON: The Commission is fully  
20 capable.

21 COMMISSIONER CAMPBELL: What did you mean  
22 by the statement that you intended to relieve us of  
23 the burden?

24 MR. ORTON: We were just a bit uncertain  
25 as to the outcome of the Commission's Order if it was  
26

1 fully litigated.

2 COMMISSIONER CAMPBELL: Okay. Any  
3 redirect?

4 MR. WARNICK: No, Mr. Chairman.

5 COMMISSIONER CAMPBELL: All right. Let's  
6 go back to Mr. McKay. Do you have an answer for our  
7 \$225 million question?

8 MR. MCKAY: Yes, I do. I think I can  
9 simply walk through it, but I wouldn't mind, you've  
10 asked the question related to SR Exhibit 110.

11 COMMISSIONER CAMPBELL: Right.

12 MR. MCKAY: So assuming that you have that  
13 in front of you. I also want you to -- and I will  
14 show how this exhibit ties into the language in the  
15 proposed tariff sheets and the numbers there just to  
16 show you how it all ties together, which I think is  
17 the \$225 million question.

18 Let's start with the 225 which is on page  
19 1 of SR Exhibit 110, and that 225 is derived by  
20 taking current rates the end of 2005, which are what  
21 the current rates were from -- I guess they got  
22 approved actually in November of 2005, and they were  
23 the current rates up through the end of May 2006.

24 Remember, on June 1 we had an agreed-upon  
25 Stipulation to reduce the rates. So we're taking the  
26

1 rates that are effective at the end of 2005 and we're  
2 taking the actual number of customers that we have at  
3 that point in time.

4 COMMISSIONER CAMPBELL: When were those  
5 rates set?

6 MR. MCKAY: The rates at the end of 2005?

7 COMMISSIONER CAMPBELL: '5.

8 MR. MCKAY: They actually were changed by  
9 Commission Order on November 1, 2005. And the reason  
10 they changed at that time, recognizing that that was  
11 not a general rate case, the point in time in  
12 everybody's memory was we had filed in our fall  
13 pass-through a request from the Commission to move  
14 the gathering portion costs from the non-gas portion  
15 to the commodity portion. They had for a period of  
16 time actually, if you go way back in time, they were  
17 in the commodity portion, then based on Stipulation  
18 they got moved over to the DNG portion, and the  
19 parties agreed and felt that it was wise to move  
20 those back to make it more comparable for dollar  
21 costs so those rates were approved at that time on  
22 November 1. If you want to go back further than  
23 that --

24 COMMISSIONER CAMPBELL: So your gathering  
25 costs were moved in November to non-gas -- or to gas?

26

1                   MR. MCKAY: Correct. And that's why the  
2 non-gas portion of the rates changed on November 1.

3                   COMMISSIONER CAMPBELL: It's hard to  
4 remember all these details as they go back and forth.  
5 Okay, go ahead.

6                   MR. MCKAY: So those were the current  
7 Commission-approved DNG rates at the end of the year.  
8 Obviously we used those rates at that time applied  
9 against the actual number of customers at year-end  
10 for both the GS -- well, for all of our classes of  
11 customers. And that's how you come up with line 1,  
12 which is the \$225 million.

13                  COMMISSIONER CAMPBELL: That's all we  
14 need. That's what we needed to know. I think we  
15 understand the formula.

16                  MR. MCKAY: Okay.

17                  COMMISSIONER CAMPBELL: We just wanted to  
18 know where that number was and what the source was.

19                  MR. MCKAY: Then you followed through with  
20 how it came up with the monthly amount and how they  
21 tie?

22                  COMMISSIONER CAMPBELL: Right. It was  
23 just the starting point is what we wanted to know.

24                  MS. BELL: Chairman Campbell, if I may, I  
25 have a few redirect questions for Mr. McKay.

26

1                   COMMISSIONER CAMPBELL: All right. Go  
2 ahead.

3                   REDIRECT EXAMINATION

4 BY MS. BELL:

5           Q.     Mr. McKay, during this proceeding the  
6 focus has primarily been on one reason for filing the  
7 Conservation Enabling Tariff. Can you talk about the  
8 other primary reasons?

9           A.     Sure. Actually, I've had a few questions  
10 from the Commissioners and others as we focus on  
11 being able to try to track the usage reduction, and  
12 specifically that's related to the removing of the  
13 barrier of having us aggressively go out and pursue  
14 DSM.

15                   I wanted to remind all of us that in our  
16 Joint Application that we filed in December there  
17 actually was a very strong focus as an additional  
18 reason and, that was, coming out of our Cost of  
19 Service Task Force where we focused on ways for the  
20 Company to be able to collect the non-gas approved  
21 revenues that the Commission had authorized  
22 regardless of the reason of decline. And it's  
23 actually out of that task force that we came up with  
24 the five or six different alternatives.

25                   At the same time, we were working with  
26

1 this other task force, which was the DSM Task Force,  
2 of wanting to remove the barrier and that kept coming  
3 out as a recommendation. Actually, the culmination  
4 of the combining of those two resulted in being able  
5 to have the Conservation Enabling Tariff, or fully  
6 decoupling, solve both issues. And so they're  
7 actually -- I just wanted to emphasize that our focus  
8 is actually very comfortable with the idea of not  
9 worrying at all of why there has been a decline one  
10 way or the other in customers' usage because that was  
11 one of the main reasons for us filing for this  
12 conservation tariff.

13 Q. Additionally there has been some  
14 discussion today about the Company's ability to track  
15 data with regard to DSM programs. Isn't it true, Mr.  
16 McKay, that all DSM programs will be brought before  
17 the Commission for approval and all such specificity  
18 with regard to tracking costs or tracking programs  
19 referred to county by county would be in those  
20 applications?

21 A. Yes. We have simply laid out a framework  
22 here. We would anticipate, as we come before with  
23 the help of a collaborative group, to be able to lay  
24 out before the Commission exactly what the framework  
25 for each of the specific DSM programs and what might

26



1 be able to detract at that time and what a specific  
2 program would lend itself to as far as being able to  
3 track, yes.

4 MS. BELL: That's all I have.

5 COMMISSIONER CAMPBELL: My understanding  
6 of the question related to county by county wasn't  
7 necessarily just the DSM programs. Frankly, I think  
8 it was trying to get behind the declining revenue per  
9 customer with the question being, if St. George has  
10 tremendous growth and they use less gas per customer,  
11 is there a way to separate out the effect that that  
12 county has on your declining use issue? And so as  
13 you look at measurements, I think that that was  
14 really at the heart of the question.

15 MR. MCKAY: I think we can begin to  
16 acquire that data as we go through. So that helps to  
17 clarify all of it. Thanks.

18 COMMISSIONER CAMPBELL: All right. Let's  
19 take a recess until I believe 4:30 is when we have  
20 our public witness day scheduled. So we'll recess  
21 until 4:30.

22 --ooOoo--

23 4:30 p.m. September 25, 2006

24 COMMISSIONER CAMPBELL: Let's go  
25 back on the record. Ms. Bell, let's go to you first.

26

1 MS. BELL: With regard to the issue that  
2 was raised earlier with regard to Roger Ball's  
3 concern about "party" and the definition, I think we  
4 could agree that the definition in paragraph 16 would  
5 apply to paragraph 15.

6 But maybe another way we could stipulate  
7 to the definition of "party" that would hopefully  
8 satisfy the Intervenors would be that where there's a  
9 benefit that they would receive, for example, data  
10 sharing discovery, the parties in that sense would  
11 apply to them. Where there's an obligation or duty,  
12 it would be a duty and an obligation of the  
13 stipulants or signers to the Stipulation.

14 COMMISSIONER CAMPBELL: Okay.

15 Ms. Schmid, you wanted to make a  
16 statement?

17 MS. SCHMID: Yes. I just would like to  
18 note that while the Committee, Questar and the  
19 Division have filed testimony which has been admitted  
20 in this docket, UAE and Mr. Ball have filed documents  
21 entitled "Position Statements." These Position  
22 Statements are not sworn testimony and so I believe  
23 that they would not be relied upon for a Commission  
24 decision.

25 COMMISSIONER CAMPBELL: I believe the  
26

1 Commission understands the difference between  
2 testimony and argument.

3 MS. SCHMID: Thank you.

4 COMMISSIONER CAMPBELL: All right. Mr.  
5 Ball, you wanted to present something from -- a  
6 letter that was written in the newspaper.

7 MR. BALL: Thank you, Mr. Chairman.

8 On Thursday, the 21st of September, and in  
9 the Salt Lake Tribune, the Public Forum, page A14, a  
10 letter was published from Mr. Dick Dennis of Salt  
11 Lake City pertaining to the Conservation Enabling  
12 Tariff in this docket. And if I may, sir, I would  
13 like to approach and offer copies of this article and  
14 request that it be admitted to the record in this  
15 proceeding.

16 COMMISSIONER CAMPBELL: We'll put it on  
17 our docket. I believe we've actually read that  
18 article, but we will be happy to put that on our  
19 record as -- on our docket as unsworn public  
20 testimony.

21 MR. WARNICK: Is this the article praising  
22 the Committee? I can't remember.

23 MR. BALL: I don't think I saw that one.

24 If I could just add as well, Chairman,  
25 I'll have to do it after the hearing today, but I'll  
26

1 send an electronic version of this to the  
2 Commission's receptionist so that it can be put on  
3 the docket index on the website. Thank you.

4 COMMISSIONER CAMPBELL: Thank you.

5 Are there any other matters that the  
6 parties would like to raise while we're on the  
7 record?

8 MS. BELL: Yes, I have one additional  
9 matter. We would just like the Commission to take  
10 notice of the letters that have also been filed in  
11 this docket by various parties, including NRDC, I  
12 believe there were some e-mails. Sarah Wright has  
13 also asked me to also let you know or take notice of  
14 various other letters filed on behalf of members of  
15 the Utah Clean Energy that were filed in support of  
16 the CET.

17 COMMISSIONER CAMPBELL: I think you'll  
18 find that we put those all on the docket as they came  
19 in.

20 All right. Seeing no other issues, we  
21 will take the matter under advisement and adjourn.  
22 Thank you.

23 (The hearing in Docket No.  
24 05-057-T01 was concluded at  
25 4:35 p.m.)

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C E R T I F I C A T E

STATE OF UTAH )  
: ss.  
COUNTY OF SALT LAKE)

I, LANETTE SHINDURLING, a Registered Professional Reporter, Certified Realtime Reporter and Notary Public in and for the State of Utah, residing at Salt Lake City, Utah hereby certify;

That the foregoing proceeding was taken before me at the time and place herein set forth, and was taken down by me in stenotype and thereafter transcribed into typewriting;

That pages 1 through 109, contain a full, true and correct transcription of my stenotype notes so taken.

I further certify that I am not of kin or otherwise associated with any of the parties to said cause of action, and that I am not interested in the event thereof.

WITNESS MY HAND and official seal at Salt Lake City, Utah, this 16th day of March, 2007.

\_\_\_\_\_  
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